

CAI TC
67W85

Government
Publications

Can Trade and Commerce dept.
[Annual Publications]
[C.I.D. of our trade world markets]



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

HOW TO WIN WORLD MARKETS

474C

Edited by O. Mary Hill
Department of Trade and Commerce
Ottawa, Canada
1967

© Crown Copyrights reserved

Available by mail from the Queen's Printer, Ottawa,
and at the following Canadian Government bookshops:

OTTAWA

Daly Building, Corner Mackenzie and Rideau

TORONTO

221 Yonge Street

MONTREAL

Æterna-Vie Building, 1182 St. Catherine St. West

WINNIPEG

Mall Center Bldg., 499 Portage Avenue

VANCOUVER

657 Granville Street

or through your bookseller.

A deposit copy of this publication is also available
for reference in public libraries across Canada

Price \$2.50

Catalogue No. C2-3666.1

Price subject to change without notice

ROGER DUHAMEL, F.R.S.C.

Queen's Printer and Controller of Stationery
Ottawa, Canada

1967



INTRODUCTION

With considerable pride and a sense of co-operative achievement, the Department of Trade and Commerce publishes for the benefit of the Canadian exporter, present and potential, this manual on the techniques of trading profitably in foreign markets. It is our hope that the book will help Canadian businessmen to increase their sales in foreign markets and expand Canada's total volume of exports.

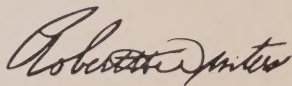
Foreign Trade, the Department's periodical, originally carried the individual articles as a series in 1965 and 1966. In response to demand to have this information brought together, they are now published in one volume. Canadian business and reference libraries carry on their shelves many books about selling abroad, but most of them are written for the exporter in Britain or the United States. More than a few of them are actually textbooks for students of international trade. The need was for an authoritative yet practical series written by Canadians and based on actual experience for use by Canadian businessmen in companies both large and small.

To help us produce this series, the Department drew upon the resources of the business community as well as those of its own officers. Who knows the problems of financing foreign trade better than a banker? Who can better interpret for the layman the peculiar terms used in marine insurance than the man who conducts a marine insurance business? We are grateful to the businessmen who so willingly prepared articles on these and other specialized subjects for the benefit of the Canadian exporter. The business world not only made this direct contribution to our series: the chapters written by Trade and Commerce staff reflect the experience of individual exporters in the actual course of business.

While the articles were still appearing in *Foreign Trade*, the Department received a letter from the head of the International Trade Centre maintained by GATT in Geneva. In it,

he expressed his admiration for the series. He asked that Canada consider supplying copies of the compilation to the GATT mailing list, made up of export officials and traders in both developed and developing countries throughout the world. This, he pointed out, "would represent a considerable contribution by Canada to its undertaking, as a member of the Contracting Parties to the GATT, to assist the developing nations in promoting their exports". The Department of Trade and Commerce was glad to do so.

It is our belief that *How to Win World Markets*, the product of many minds and many hands, will meet the need that led us to plan and produce it. We commend it to the attention of every businessman who looks beyond the domestic market. We believe that it can smooth his path and hasten his progress towards the goal of greater foreign sales.

A handwritten signature in dark ink, appearing to read "Robert J. Martin". The signature is fluid and cursive, with the first name "Robert" being more prominent and the last name "Martin" following in a similar style.

Minister of Trade and Commerce,
Ottawa.

January 1967.

CONTENTS

	Page
The First Steps	
Selecting Export Markets	7
How to Work Out Export Prices	15
Trade Terms Must Be Defined	21
Organizing for Export	27
What Is the Exporters' Directory?	35
Financing and Insuring Exports	
Finance and Credit in Normal Exporting	41
Marine Insurance and the Exporter	47
Obtaining Export Credits Insurance	53
ECIC Offers Long-Term Export Financing	59
How Export Drawbacks Work	65
Pushing Export Sales	
Getting and Keeping Salesmen Abroad	71
Trade Fairs Can Help You Sell	77
Four Principles of Export Correspondence	83
Why Not Get Up and Go?	107
Promoting Sales in Foreign Markets	112
Licensing Production Abroad	119
Getting Help with Export Problems	124
Tariffs and Documentation	
Understanding Foreign Tariffs	137
Documenting Export Shipments	149
How to Mark and Label Export Shipments	157
Protecting the Product	
Foreign Patents and the Exporter	161
Protecting Trademarks in Foreign Markets	166
Protecting Industrial Designs	173
Moving to Foreign Markets	
Export Packing Needs Knowhow	177
The Dynamics of Export Transportation	184
Freight Forwarders Speed Exports	193
Exports Take to the Air	199
Bibliography on Export Trade	201



Selecting Export Markets

O. MARY HILL, Editor, "Foreign Trade".

JOHN SMITH, a Canadian manufacturer, has been in business for a fifteen years. He is turning out a good product, it is selling well in Canada and he would like to extend his plant and step up production. To do this he needs more customers. He has an idea. Why not look for these customers in foreign countries as well as in Canada? Actually, Mr. Smith is taking the first step toward becoming an effective exporter—because exporting begins with a state of mind. It's not a casual business; a businessman should enter an export campaign with energy and determination—and with the intention of making it last. The Canadian who views foreign markets as a place to get rid of occasional surpluses, the in-and-out-er, makes no enduring impression. Worse, he damages Canada's reputation as an international trader.

A Canadian businessman usually can't and won't turn into a successful exporter within weeks or perhaps months. It may take much longer. Veteran export managers believe that it takes a minimum of five years to become solidly entrenched in foreign markets. But the time and care taken in selecting the right place or places for an initial export venture can minimize the time and make ultimate success quicker and more certain.

Exporting begins with a state of mind—a state of mind to be reflected in top management. In other words, management must be

export complex and must be persuaded that it is wise and will be profitable to diversify the company's markets. It must see that export orders always receive the same attention as domestic orders; that money is set aside for travel and promotion; that its knowledge of foreign markets is kept up to date. It may even consider allocating a certain amount of output to export and then prepare to go out and sell it.

Once he has resolved to try his luck in foreign markets, the potential exporter should turn his attention to his product. He should try answering these questions as a start:

- Is there something unique about my product?
- Could it be adapted if necessary to meet differing overseas tastes or needs? (A chain saw company had to provide a special clutch for saws in use in humid North Borneo.)
- Have I, or could I provide, enough production to serve both Canadian and foreign buyers efficiently?
- Would I need to supply service and would this be a problem?
- Would I have to have sales literature or service manuals printed in a foreign language or languages?
- Would the shipping costs be high?

The answers to these will have a direct bearing on the selection of markets and on export strategy. If the product is basically similar to something already made extensively in other countries, chances of selling it abroad are slim. If production delays make it difficult to honour delivery dates, overseas customers will soon drift away. If shipping costs are apt to be high, it is best to investigate nearby markets first. If the product needs servicing, this will affect distribution arrangements overseas. If adapting it might be difficult, avoid the more exotic markets.

At this point, the exporter needs to look at potential markets—and he can start looking at them right at his desk or at a library table. Market research can begin effectively with some digging for facts—facts on a number of markets to be compared and appraised. Here are some suggestions for starting on this job.

1. Examine the Canadian export statistics put out by the Dominion Bureau of Statistics, particularly the “Exports by Commodities” series. (For information about how to obtain these, see the bibliography.) Find out whether a product similar to yours is being sold abroad and where. A word of warning: don't look at the figures for one year only because they may be misleading; three years will give you a better picture. And look at the full range of the products in your field and not at just one or two.

2. Take a look at the statistics put out by some other countries, such as the United States and Britain. These are not difficult to obtain; the Embassy or one of the Consulates of the country here in Canada or a good library should be able to help. If the researcher finds that the United States is selling a

Seven Keys to Selection

In general, in selecting markets keep these points in mind:

- **Concentrate on one or two markets to start; don't spread yourself too thin.**
- **Don't overlook the smaller, less obvious and possibly less competitive markets.** (One refrigerator manufacturer made sales in Fiji and Sierra Leone.)
- **Plan to spend time and money visiting foreign markets.** The saying is a veteran, "break down exporting difficulties into practical problems you can deal with."
- **Keep within your capacity to service customers; don't go after large orders that you can't fill.**
- **Make certain at the start that your export business is going to be profitable.**
- **Find a need and fill it; this ensures success.**
- **Stay away from markets in which import restrictions or foreign exchange controls will restrict your scope.**

product similar to his in a number of countries, perhaps he can too. The same is true of the British statistics. In the wider field, the United Nations *Yearbook of International Trade Statistics* gives imports and exports in value for 132 countries and although the categories may be too broad, the figures may have some value.

3. Talk with some experienced exporters, preferably in fields close to yours but not directly competitive. Many of the larger companies are willing to share their experience with their smaller confrères.

4. Ask the shipping companies in your area to give you some idea of the shipping charges to various markets. Check on other ways of shipping if they seem feasible, such as trucking or air freight—or even parcel post.

5. Make good use of your trade association and/or the Canadian Trade Association; you may be able to obtain some market information from their members who have been travelling abroad. Through the association you may also have a chance to take part in international conferences—an excellent way to make foreign contacts and to get a glimpse of conditions in other countries.

6. Remember that the foreign or international departments of the major banks have a good deal of information, printed and otherwise, on foreign countries and will be glad to help you.

7. Examine trade directories from various countries to get a list of prospective customers, or study the yellow pages of foreign telephone books.

Some businessmen feel that they cannot advance even this far in plans for exporting without expert help. Help is close at hand—as close as a regional office of the Department of Trade and Commerce (St. John's, Halifax, Montreal, Winnipeg, Edmonton, and Vancouver) or the local office in

Ottawa, the provincial departments of trade and industry, and various associations.

In the Department of Trade and Commerce in Ottawa, a Commodity Officer familiar with the exporter's field can help him assess his product in terms of export potential and an Area Trade Officer can brief him on conditions in particular regions and on the terms of access to various markets. (That phrase, "terms of access" covers many important things—such as import duties, restrictions on imports or on foreign exchange, preference arrangements, and so on.)

These officials can also get advice for him from other officers of the Department on other problems, such as export or import permits if these are required, shipping services, or the need for the product to comply with health or other regulations. And they can put the businessman in touch with the Canadian Trade Commissioners who serve in 47 different countries and who can provide further information on markets.

The Trade Commissioner can take on the research job where the potential exporter, having completed his initial investigation and made contacts here in Canada, leaves off. But first the exporter must decide which markets, in his judgment, are worth studying further. Then write to the Trade Commissioner in each, enlisting his help in doing some market research. Don't simply write and say: "I make refrigerators. Can I sell them in your territory competitively? How big a market is it?" The letter must include, among other things (and using refrigerators as an example):

- (1) Sizes of refrigerators made.
- (2) Prices at which they could be offered. (Prices may not be firm at this stage but they should be approximate.)
- (3) How much production can be set aside for export.
- (4) Description of the product, accompanied by a brochure, small folder or pictures.
- (5) Method of selling favoured—by commission agent, by a distributor who will maintain stocks, direct to large or chain stores, etc.
- (6) Type of customers to whom the firm sells in Canada—such as department stores, retail stores, wholesalers, institutions, etc.

The exporter of a food product would do well to send the Trade Commissioner labels from cans, cartons or bottles; the man who is selling a highly technical product should dispatch catalogues or perhaps service manuals. Send actual samples when this is practicable.

It is often unwise to assume on the basis of sketchy information that certain markets have no potential; check the point. A Canadian manufacturer of heating equipment discovered to his surprise that he could sell in Jordan because, although the days are hot, the nights are cool. He is also selling in Venezuela, where his equipment is used not to heat houses but to dry coffee beans.

When he has received from the Canadian businessman the information

How the Trade Commissioner Assesses Sales Prospects

IN reporting on the sales prospects for a Canadian product in a market, Trade Commissioners consider the following points:

Basic Factors

1. Area of a country, distances, terrain, climate, and other geographical factors that may influence the market for the product.
2. Size, distribution and concentration of population.
3. Level of income; distribution of income.
4. Natural resources (limited, potentially wealthy); importance of staple products in earning income.
5. Extent and stage of industrial development; plans for further development.
6. Present economic situation, trade balance, credit standing, availability of foreign exchange.

Access to Market

1. Import restrictions, such as licensing or quotas.
2. Rates of customs duties; whether Canadian goods receive preferential or M.F.N. treatment.
3. Method of calculating value of product for duty purposes.
4. Marking and labelling regulations; need for health certificates for animal, plant and fisheries products, etc.
5. Currency and convertibility; any controls on remittances.
6. Bilateral trade or barter agreements that favour imports from particular sources.

Market Potential

1. Current and potential demand.
2. Domestic production of product or one closely related.

3. Statistics on imports by volume, value and country of origin. Are these increasing or decreasing?

4. Dominant price and quality ranges of imported and domestic product; range with the largest current and potential sales.

5. Prices at the importer, wholesale and retail levels.

6. Control of market by traditional suppliers; acceptability of new products.

Market Requirements

1. System of measurement used — metric, English, etc.

2. Preferred basis of price quotation — c.i.f., f.o.b., etc.

3. Terms of payment considered normal — sight draft, letter of credit. If credit is necessary, the standard terms.

4. Preferences in styling, quality, etc., because of national characteristics or interests which differ widely from the Canadian.

5. Need for special packaging because of climate, shipping conditions, government regulations, or local tastes or prejudices.

Distribution

1. The normal importer of the product — manufacturer, commission agent, merchant, other. Markups or commissions expected in each instance.

2. Normal distribution patterns.

3. Should one firm have the exclusive agency for the whole market or would a number of representatives in various locations be preferable?

4. Do importers normally carry large stocks to supply the trade or are frequent small shipments common?

5. Will the representative expect advertising support?

that he needs, the Trade Commissioner can prepare a preliminary market report. This report may cover a number of factors and their importance will vary with the product and with the market being studied. If the exporter wants to sell table lamps, he will need to know the voltage and frequency used, the type of plug employed, and what electrical standards the product

will have to meet. If he sells food products, standards of a different sort will concern him and so will labelling regulations. Some of the general information that the Trade Commissioner customarily includes in a preliminary market report is given in the accompanying box feature; it can also serve as a checklist on market information needed.

Once the exporter has obtained this market information from a number of Trade Commissioner posts, he can compare it and make an initial selection of possible markets. Then, using current data on shipping costs, import duties, insurance charges, commission rates usually paid to agents, etc., he can set to work calculating c.i.f. prices for various markets, first in Canadian currency and then, if necessary, in the currency of the various countries, such as sterling or U.S. dollars. This calculation should answer the question: "Can I sell abroad at a profit?"

The exporter may find, following further correspondence with the Trade Commissioner, that his price is in line with the competition, that the import duty is not too high, and that it should be possible to interest a good agent in his product. But, the Trade Commissioner may add, the product itself will need a bit of redesigning to appeal to French, Mexican or Lebanese buyers, and it will need to be more strongly packed to stand up to rough handling en route. This is the cue to start working on these problems. A Canadian manufacturer of heating equipment found, for example, that for German customers he must put a peephole in the burner casing and have the oil lines chromium-plated. If the drawback is a too high price, the exporter must sharpen his pencil and work on how much this initial price can be shaved.

It is a sound idea not to try selling in too many markets to start with. Follow the advice of a Canadian textile manufacturer who says, "Our company has discovered that it is best to begin in a small way, become established in one or two areas, and then spread out." A Trade Commissioner put it more picturesquely: "Don't shoot a number of arrows in various directions on the theory that one of them may find the target. They may all miss."

Sometimes market research has a negative value: it can tell a firm what markets to avoid, or those in which the chances of success are at best marginal. In general, avoid a market if:

- The product is not likely to appeal to consumer tastes there.
- It will need more adaptation than the demand warrants, or more than the manufacturer is willing to undertake.
- Import restrictions and/or high tariffs restrict or practically eliminate the demand.
- Shipping costs will be prohibitive.
- Too much will have to be spent on putting out sales literature or catalogues in another language or languages. (This applies to highly technical products.)

The Trade Commissioner can and will be the exporter's eyes and ears in a foreign country but he cannot sell his product for him. He can tell him

many things about a market but to understand it fully, the exporter must become the "man on the spot". Three or four days spent in Jamaica, for example, give a businessman the feel, the atmosphere, of the Jamaican market that he can acquire in no other way. He can talk with prospective agents, visit potential customers, study at firsthand methods of selling.

One export manager says: "You yourself know your business best and what you have to offer. A personal visit is the best way to estimate whether a certain market is a good one for you." (He adds that his firm has never failed to get back in sales the money spent on foreign travel.)

How long the whole process of preliminary market research will take depends upon a number of things. One is the product that you want to sell. It is much easier to assess the demand for nylon stockings than for complicated electronic equipment. A Canadian company in the electronics field recently spent two years studying and evaluating various markets. But once it chose the countries in which to launch an export campaign, contracts came its way quickly. Large firms who require and can pay for a really professional and detailed market research job can employ organizations like the Economist Intelligence Unit or (for Western Europe) Contimart A.G.

One excellent way that a firm can pretest a market, particularly in the United States or in Europe, is by exhibiting in one or more trade fairs, either on its own or in a section sponsored by the Department of Trade and Commerce. At a trade fair the exhibitor can study the reaction to his product, stack it up against the products of competing firms, come into contact with prospective customers or with prospective agents, and in general get a "recon course" in that market.

A Montreal manufacturer of top-flight athletic footwear has made most of his contacts and does nearly all of his selling in his main market, the United States, by taking part each winter in the huge National Sporting Goods Show in Chicago. There he meets buyers from the big U.S. department stores and he needs no other outlet. Specialized trade fairs can be equally useful in selling a highly technical product because they provide the exhibitor with a pre-selected group of potential customers who talk his language, technically speaking.

Trade missions, sponsored usually by the Department of Trade and Commerce or by one of the provincial departments of trade, can also be an effective way of finding out about a market quickly and simply.

Small firms, faced with the problem of choosing markets and then learning what one export manager calls the "commercial footwork," may feel that export trade is just too complicated. This is a fallacy; many small-sized Canadian companies are doing plenty of export business. They prove the truth of the observation made by a Vancouver businessman, "The little guys can run under the feet of the big guys." Sometimes smallness is a positive advantage: the small business can make decisions and changes more quickly and this flexibility is an asset in exporting.

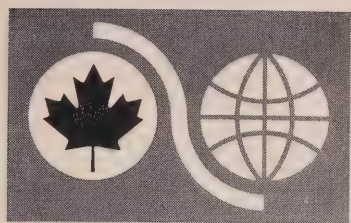
One case history may serve to emphasize and illustrate the points made in this article. It concerns the U.S. market, where tariff questions and valuation are especially important, but it details a method of approach valid in nearly all markets. A Canadian confectionery manufacturer sets out his experience this way:

"We began our serious investigations into the U.S. market in the late spring of 1962, about eight months before our first shipment and about six months before our first export production run.

"The problem was broken down and plans were laid more or less, but not necessarily, in the following order:

1. Decide on what domestic lines to export.
2. Determine United States selling price. Generally speaking, both the prices and weights of export bars were determined by competition in the United States.
3. Estimate gross and net profit on each line, taking into consideration such items as rate of duty, value for duty, elimination of federal sales tax, estimated freight charges to various areas in the United States, plus many other factors.
4. Check possibility of United States registration of Canadian product names if not already done.
5. Check Food and Drug Regulations regarding formulas, product names, etc. This entailed numerous visits to Washington and sending samples of products to Food and Drug Administration, Washington, for analysis and approval.
6. Where necessary, change designs of labels, formulas and possibly product names to meet United States Food and Drug and other regulations.
7. Investigate United States Customs Regulations for the purpose of obtaining a *written* ruling from the Treasury Department—Bureau of Customs, as to tariff classification and basis for valuation of our various products for duty purposes. This required visits to the office of the appraiser, Bureau of Customs, Buffalo, N.Y., and to Washington—as well as much written and telephone correspondence.
8. Study Canadian duty drawback regulations and establish internal procedure for claiming drawback if applicable. Drawback can mean the difference between profit or loss in some lines.
9. Determine policy re geographical distribution—that is, whether on national or regional basis. This required a thorough study of freight rates, type of carriers available, climatic conditions as our product is perishable, as well as some study of state and federal regulations.
10. Determine method of distribution—in our case at the moment, franchised wholesalers. Seek out and appoint distributors."

And the result? To quote, "Our first year's business exceeded expectations and we see no reason . . . why our longer term expectations should not also be fulfilled."



How to Work Out Export Prices

J. R. ARNOLD*

ONE of the early steps in campaigning for export markets is working out realistic export prices — or “costing”, as it is sometimes called. Too often goods are priced for export merely on the basis of domestic price plus freight and insurance. Sometimes the resulting price is unrealistically high, and sometimes it is too low. The would-be exporter should remember that foreign buyers usually have quotations from many countries to compare and they seek the best possible prices. Export quotations should therefore be as low as possible commensurate with a reasonable profit — and a profit no higher than on domestic sales. Manufacturers who want eventually to make volume foreign sales should bear in mind that these will result only if good quality offered at a fair price and should keep their profit to a minimum.

The manufacturer who wants to calculate an export price usually starts with his domestic price and the export merchant or agent must start in the same way. But certain elements in the domestic price do not apply when goods are to be exported. Costs that are not directly related to exportation, such as domestic sales and advertising expenses, can be eliminated. Similarly some administrative costs may not be applicable. Obviously it is sensible to price for export as realistically as possible. To include costs that are unnecessary to foreign selling is certain to make a product less interesting to a purchaser.

*Mr. Arnold is the author of *Practical Exporting and Importing in Canada*, published by the University of Toronto Press.

conscious foreign buyer. Above all, there are two specific reductions to be considered in export pricing. First, the federal sales tax of 12 per cent does not apply to export sales. Second, the exporter benefits from the export drawback regulations. If he has paid customs duty on any imported materials or components that go into a product that is exported, he may apply for a drawback (or rebate) of 99 per cent of that duty.

A certified Canadian Customs B-13 Form is proof of export and is accepted by the sales tax auditors. The same form marked "for drawback purposes" will ensure a minimum of delay in obtaining the rebate. Making allowance for the drawback and for the absence of sales tax means a lower export price.

Before he settles down to the actual pricing process, the exporter should give thought to one or two other points. One of these is foreign customs duties. Normally it is the importer who pays the duty unless he insists upon being quoted a duty-paid delivered price, a fairly common practice in the United States market. In any circumstances, the duty is a vital element in the price at which the buyer will sell the product and in determining whether he will be able to make a profit on it. In addition, the exporter may be required to supply his customer with the information that is needed if the goods are to be properly classified. He must also know what the retail price in the foreign country is likely to be before he decides whether he can compete with local producers or with other suppliers. For help in finding out what the rates of duty are, the businessman can get in touch with the Office of Trade Relations, Department of Trade and Commerce, or with the Trade Commissioner in the foreign post. In many Commonwealth markets, the Canadian manufacturer can benefit from preferential tariffs, provided his product meets the requirements for preference. (The subject of foreign tariffs and how to understand them is covered in a later chapter.)

Export prices quoted should be compatible with any anti-dumping legislation in the country or countries in which the goods are to be sold. Here again, the Office of Trade Relations can supply information on anti-dumping regulations in various countries.

Goods entering a foreign country, such as the United States, are "valued for duty" in various ways and the Canadian exporter should know something about the methods used. Any exporter who is selling mainly in the United States should make a special study of the "value for duty" provisions and the correct way of working out his prices for a U.S. customer.

Once the exporter is actually ready to work out his prices the first thing he needs is a costing sheet, like the one shown.

This costing sheet is a necessity first, to make sure that all possible charges are added if they apply, and second, to provide an exact record of quotations to each overseas buyer, including prices, terms and conditions. To be effective, prices must be quoted c.i.f. the port nearest the buyer's city. C.i.f. (cost, insurance, freight) means that the exporter pays all charges to the wharf at the foreign port. The buyer can add to these prices his "terminal

charges" for handling the goods at the port in his country, the duty paid on entry into the country, and transport charges to his warehouse. He thus obtains his true cost.

Because of the number of charges that could apply, costing sheets should be mimeographed on legal-size paper. Of course there could be many other costs, depending on the product and the market, such as advertising costs, although these are sometimes shared with the agent.

Once he understands the costing sheet and the possible pitfalls in any of the items, the exporter should have no difficulty in quoting accurate cost and destination prices. For this reason, I will comment on it item by item. To begin with, for your records, put in the date, the name, address and telephone address of the firm quoted, as well as any special conditions — such as "subject (to) supply" or "immediate acceptance" — and the terms.

Item 1, cost of unit, has already been covered.

Item 2, profit. This is the place to add the profit. The exporter cannot hope to make foreign sales if profit is expected on freight and other charges. He should add it at the start and not after all costs are added.

Item 3, overseas agent's commission. Comment on item 2 applies here.

Item 4, packing. For certain products this requires thought. Some exporters suggest that 10 per cent be added for export packing but I consider this incorrect. Some articles can be shipped in domestic packing, such as canned vegetables or fruits; others require expensive packing, such as machinery for paper mills. For products in the latter category, the exporter can, if he is at a seacoast, go to the shipping company's office and arrange to see the superintendent of cargo on one of its vessels. He is the man who is responsible for stowing and safety of cargo and will give excellent advice. If the exporter is not on the coast, he can employ a forwarding agent in the seacoast city to get this information. Then he prices the packing exactly.

Item 5, labels. Foreign printing may be required either by law or to make your products readily saleable overseas. Find out from the agent and the Trade Commissioner.

Item 6, marking. All shipments for export require a stencil mark on each package for identification. Cost is not high but must be included.

Item 7, strapping. Cartons must be wire-strapped, and if small in size two or more must be bundled together to prevent loss and pilferage.

Item 8, cartage to the train or ocean wharf if at seacoast.

Item 9, freight to seacoast. It is wise to explore all routes and carriers including rail, pool car, truck or aircraft if goods are light in weight or to take advantage of a seasonal market. In one instance, it was found to be both cheaper and much faster shipping goods from Vancouver to Montreal by air and from there by ocean carrier to Italy, than by direct vessel from Vancouver. If the railroad is used, be sure to note the minimum and maximum weights for carload lots.

EXPORT COSTING SHEET

Beaver Hoists

Date: March 9/65

Quoted to:

Address: Box 56 Milan Cable address: HYKINA

Special terms or conditions quoted: L/C - minimum order 108 hoists

Unit quoted: c/s Gross weight: case of 6 Cubic measure: 1,466.25"
47 x 6 17 lbs.
47 c/s - 749 lbs. 47 c/s per 40

1. Cost of unit (not including taxes) 282 units @ 10.00 \$ 2,820.00

2. Profit: Per cent _____ Amount included

3. Overseas agent's commission at 5 % Amount: _____ 141.00

4. Packing domestic - nil

5. Special labels, labelling or containers _____

6. Marking @ 05 4' c/s 2.35

7. Strapping 12 x 15 4 1.80

8. Cartage _____ 7.99

9. Freight to seaboard _____

(a) Route & carrier _____

(b) If rail: l.c.l. _____ or c.l. _____ (c.l. weight _____)

(c) Rate: \$ _____ per _____ Amount: _____

10. Unloading charge \$ _____ per _____ Amount: _____

11. Terminals, check one: Weight _____ Measure ☒ Amount _____ 3.60

12. Long load or heavy loading charge or other _____
 details of No. 12: _____

13. Consular documents, amount _____

14. Other charges _____

15. Ocean Freight: Weight _____ or Measure ☒
Reefer _____ on Deck _____ Ventilated _____
Under Deck ☒ Currency U.S.
Minimum shipment 15 cu. ft.
Rate: 80.00 Amount: 80.00
Convert amount to Canadian 870

16. Forwarding agent's fee _____

17. Export credits insurance: _____ % Amount _____

18. Financing charges for credit sales _____

19. Total in Canadian funds _____ 3,063

20. Marine insurance: total as in 19 3,063.14
add 10% 306.31
Premium, approx. 16.00
amount to be insured 3,385.45

Type: all A Rate: 50¢ per \$100 Premium: _____ 16.00

21. C.i.f. in Canadian funds (19 plus premium) _____ 3,079.8

22. Convert to U.S. or other currency if necessary less 7% 215

QUOTED c.i.f.: 282 haists — U.S. 2,864.1
1 haist — \$10.15

Quoted c.i.f. \$10.20 U.S. — L.C. — prompt delivery
minimum order 108 haists — (to make
full 18 c/s)

Item 10, unloading charge. Usually trucking companies do not charge for unloading but there is always a charge for unloading railroad cars. In ascertaining this as well as other charges to be made by the railroad, the exporter must tell them the shipment is for export, because charges on export shipments are often lower than on domestic shipments. The foreign freight department of the railroads will obtain ocean freight rates to any destination or the local freight agent will wire for this information for inland customers without charge.

Item 11, terminals. These are the charges made by the wharfage company and are made up of three charges covering handling, wharfage and harbor dues. The total varies with each port and sometimes with each wharf, and with each class of commodity. Wharfage companies will quote terminals, or the local freight agent will get the information.

Item 12, long load or heavy loading charge. These charges apply only to cargo of exceptional length or weight. If the product falls within either category, make sure the wharf and the vessel are equipped to handle this length or load. A number are not. Be sure to record the extra charges for extra length or weight.

Item 13, consular documents. Some countries, especially in Latin America, require consular documents that can be quite expensive. If the exporter is shipping steady repeat orders, he will soon know these charges for his costing. But because initial orders often are small until the products have achieved acceptance, this item can eat into profit on those initial orders. It is suggested that in quoting these countries for the first time an exporter add "plus cost of consular documents."

Item 14, other charges. Because no costing sheet can cover all possible or probable charges for every product, this item is included. In some instances the exporter may anticipate excessive charges for overseas phone calls or cables, as an example. Storage tank charges for fish oil is another example.

Item 15, ocean freight. Look at the first six things listed. Then tick off the appropriate one of the first two and the appropriate one out of the next four for the record. Make sure when obtaining the freight quotation that the currency quoted is clear. Some ocean carriers quote in Canadian and some in U.S. dollars. Some even quote Canadian currency, plus a percentage premium to convert it to U.S. dollars, without considering fluctuations in the rate. Because all the calculations so far are in Canadian money, convert freight to Canadian dollars if necessary so you have a common denominator.

Item 16, forwarding agent's fee. If the exporter uses this service, the forwarding agent will supply him with a list of fees in advance. These fees are usually very low and the convenience of having all export documents compiled and completed expertly until the exporter is familiar with them is invaluable. For a firm not at seaboard, the forwarding agent will obtain ocean space and make all other arrangements. Shipments should be consigned to the right

dock for a named vessel, and marked "Notify (named) forwarding agent" unless the agent gives other instructions.

Item 17, export credits insurance. If the firm expects to make many credit sales abroad, this insurance must be considered. There is extra accounting and reporting involved, and it may be considered necessary to make a small charge for this as well as the premium.

Item 18, financing charges for credit sales. Because exporter's money will be tied up for 30, 60, or 90 days he must consider interest on the total. Even if he offers terms, "sight draft with documents attached," the foreign buyer will not pay the draft until the shipment arrives.

Item 19, total. This will be the total c. and f. cost. Make sure all items are in Canadian currency. Recheck each calculation and each item before accepting this total as correct. One error can be vital.

Item 20, marine insurance. Because ocean shipments usually are insured for 110 per cent of the total cost, follow this calculation carefully. The insurance Open Policy or the agent will give you the exact rate to the destination quoted. The exporter should note that he has not insured the amount of the insurance premium, but because the charge for insurance is usually low he can either ignore it or add to it a few dollars to cover this. As an example, if the premium is \$100.00 and the rate is 1 per cent, then the extra premium to insure the premium would be \$1.00, plus one cent for this extra dollar. Unless the rate is high or the shipment very large, this charge usually is absorbed.

Item 21, c.i.f. Canadian funds. This is the total of item 19 and the insurance premium.

Item 22, convert, if necessary. It is useless to quote Canadian dollars to an area that deals only in U.S. dollars or in sterling. The Department of Trade and Commerce will advise on which currency should be quoted for any particular area.

As a final step, recheck everything before quoting. The exporter should not attempt to quote one unit unless it is very large. He can calculate how many units are in one ton, and base his figures throughout on this quantity. Then when he has the c.i.f. price for one ton, he can if he wishes reduce it to "per unit" or "per case of. . ."

Commodities such as logs, lumber, sulphur, coal and grain that take bulk loading and special product knowledge cannot be dealt with in a general way. Usually a vessel is chartered and freight charges depend on the current charter rates. These commodities usually have unique hazards against which the exporter must seek protection. The general costing methods, however, can be followed step by step, taking these unique circumstances into consideration.

This pricing process can perhaps be made even clearer by using as an example an actual company exporting an actual product. (This example is given with the firm's permission.)

The manufacturer of Beaver Hoists had made some foreign contacts and

wished to quote c.i.f. prices to Southern European ports. The product is a compact one-man rope-and-pulley hoist made in North Vancouver, B.C. The manufacturer has done a good deal of research in materials, testing various types of metal, plastic and synthetic ropes for light weight, breaking point and stretch. The packaging and appearance are attractive and the utility of the hoists is unquestioned. The smaller Model 1000 lifts 500 pounds, though it weighs, boxed, just over 1½ pounds. The larger Model 2000 weighs just over 2½ pounds and is capable of lifting 1,000 pounds. The hoists are boxed individually and six boxes are packed in one shipping carton. Unique distinctive products such as this sell readily in many countries abroad if they are priced realistically.

After finding the lowest f.o.b. plant price as already described, the firm adds normal profit. An overseas agent is employed so his commission is added at this stage. If the cost of the product and profit is \$10.00, 5 per cent is added for overseas agent. The company does not quote his commission as a percentage, but advises him that he will receive 50 cents Canadian on each hoist sold.

Before going on to item 4 on the costing sheet, weights and volume must be calculated. Model 2000 cases containing six hoists measure 11.5 x 8.5 x 15 inches, which when multiplied is 1,466.25 cubic inches. One cubic ton for ocean freight is 40 cubic feet, or 69,120 cubic inches. Now divide 1,466.25 into 69,120 to find how many cases are in one cubic ton. This works out to just over 47 cases, but for safety, the company uses exactly 47 cases. Because each case contains 6 hoists, 282 hoists would take up 40 cubic feet.

The gross weight of a case of 6 hoists is 17 pounds. Therefore 47 cases would weigh 47 x 17 pounds, or 799 pounds. Because ocean freight is calculated on either weight of 2,000 pounds or space of 40 cubic feet, whichever gives the shipping company the greater revenue, the hoists will be charged by "cubic". If the 47 cases that take up 40 cubic feet weighed over 2,000 pounds, the firm would be charged by weight. They weigh only 799 pounds, so the charge is by "measure" or "cubic". Therefore 282 Model 2000 hoists can be shipped as one "ton" ocean freight.

Before going on to item 4, the total of the first three items is taken and multiplied by 282. This gives the cost for one "ton" of merchandise.

Item 4, packing. Domestic considered satisfactory.

Item 5 does not apply, though it may to some destinations.

Item 6. A charge of 5 cents per carton for export marking, so the total is 47 x 5 or \$2.35.

Item 7, strapping. Because the packages are small, pilferage is nearly certain to result unless a number are wire-strapped together. It is considered best to strap four cartons together at a cost of 15 cents per bundle. Twelve bundles, to the closest figure, at 15 cents is \$1.80.

Item 8, cartage. One dollar per 100 pounds, or \$7.99 per "ton" because the cubic ton weighs 799 pounds.

Items 9 and 10 do not apply.

Item 11, terminals. The wharf charges are \$3.60 per ton.

Item 12 is not applicable, nor are items 13 and 14.

Item 15. After checking the shipping guide to find which the service to required destination and the name of the local agents, the firm finds that this product takes an n.o.s. (not otherwise specified) rate, which is over \$80.00 per "ton" U.S. When converted to Canadian dollars this is \$100.00. Minimum shipment is 200 pounds or 15 cubic feet. These details are noted.

Item 17. The firm has export credits insurance and is not quoted for credit, so the premium is added. It is such a small percentage that it is added at this stage, though strictly speaking, it should be added after the financing charge to cover interest on the investment until payment is received and bank collection charges, item 18, must be added as well as the commissions allow credit terms.

Item 20. It is found the rate is 50 cents per \$100 for all risks which cover all hazards except inherent vice. To this point the costing of the hoists, assuming \$10.00 per hoist was the f.o.b. plant price. The profit, is as follows for 282 hoists:

Sales price at \$10.00 each	\$2,820.00
Overseas agent at 5 per cent	141.00
Marking	
Strapping	
Cartage	
Terminals	
Ocean freight	
Total thus far (item 19)	\$3,079.87

The shipment is insured for 10 per cent over this total, or for \$310.00. To take the insurance premium into consideration, about \$16.00 must be added to the insurable total. The exact calculation to insure the insurable value can be worked out but it is not worth spending the time for a small amount. So \$16.00 is added to make the insurable value \$3,389.87. At 10 cents per \$100, the premium is \$16.73.

Total thus far, item 19	\$3,079.87
Plus insurance premium	16.73
Total c.i.f. in Canadian funds	\$3,096.60

Item 22. Because quotations must be in U.S. dollars for this item, the c.i.f. price of \$3,096.60 is converted by deducting, say, 6% for exchange. (The exact percentage to be deducted should be checked with a bank.) Some attempt must be made when quoting in U.S. dollars. Some firms will attempt to take the exchange as extra profit but the firm wants to show quotations, so it deducts for exchange. The deduction is 7 per cent for exchange, reducing the c.i.f. price in U.S. funds to \$2,864.00 for 282 hoists. The price for one hoist is obtained by dividing by 282, giving a price of \$10.15 per hoist.

Before quoting, the firm rechecks all figures. It keeps in mind the minimum quantities for minimum shipments and quotes \$10.15 (or \$10.20 for a round figure).

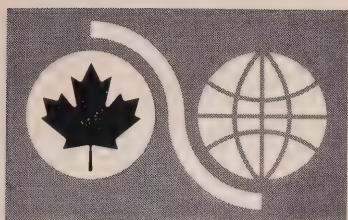
tor) per hoist c.i.f. in U.S. funds, with minimum initial order of 15/40ths of 282 hoists to comply with the minimum shipping rate. (Some initial orders are small so the exporter should protect himself by covering minimum shipping space requirements.)

Before quoting, an exporter should investigate alternative shipping routes. For the hoists, the ocean rate of \$80.00 U.S. per ton is extremely high and the length of time for the voyage is about eight weeks. For this reason, the manufacturer checked rates by air and truck to Montreal and had a forwarding agent there give him the terminal charges and ocean freight rate. Air rates were found to be too high, but the truck rate of \$5.86 per 100 pounds and ocean rate of \$30.00 per ton combined were less than the ocean rate from Vancouver. So the buyer was quoted from a costing by that route, and subsequently shipments were made and delivered in approximately half the time that would have elapsed if shipments had gone forward by vessel from Vancouver. The Montreal forwarding agent advised of sailing dates, designated the wharf for the truck line to deliver the shipment, and as the truck line notified the forwarding agent on delivery, he handled all arrangements and documents for a very small fee.

Inland manufacturers are advised to employ a forwarding agent at sea-board, but can obtain preliminary information on sailings and ocean rates from the Foreign Freight Departments of the railroads.

If an exporter's products are small, such as cutlery, he might find parcel post a convenient and economical way to ship. The main point is to investigate all shipping methods before quoting and consider both speed of shipment and total cost.

By following the costing sheet step by step, any commodity can be correctly costed c.i.f. destination. If an exporter is in doubt about any item, he should consult the expert in that field, such as his marine insurance agent.



Trade Terms Must Be Defined

J. O. STRATTON, Affiliated Customs Brokers, Montreal Limited.

IN INTERNATIONAL TRADE there are a number of special terms—especially in connection with marine insurance—which are an integral part of that trade but which are unfamiliar in everyday language. Many of these phrases derive from ancient laws and customs of the sea and of trade.

They have one valuable feature—from long usage they have come to have meanings as precise as scientific terms. As one example, the word “freight” in shipping law is limited to meaning the price paid for the transportation of the goods. The goods themselves are called “cargo”. It has been said that the law of the carriage of goods by sea and the law of marine insurance are both the essence of simplicity in theory: it is only in practice that complexities become apparent.

Because of Canada’s geographical position and its size, goods and merchandise have to be transported great distances from their source to the consumer. The cost of such transportation must figure appreciably in the value of the merchandise and it is therefore most important that both buyer and seller at all times clearly understand who is to pay for the transportation. Ignorance on this point could quite easily transform what should be a profitable undertaking into a disastrous loss.

Moreover, the services of various specialists are required to ensure the prompt and efficient movement of goods from one country to another. These essential services cost money and have to be considered in addition to the actual cost of carriage when one is buying or selling merchandise.

It is therefore vital in international trade transactions to determine the exact point at which the title to the goods and with it the expense and responsibilities change from seller to buyer.

Every commercial transaction is based upon a contract and the trade terms have the important function in that contract of naming the exact point where the ownership of the merchandise is transferred from the seller to the purchaser. At the same time, the contract defines the responsibilities and expenses of the seller up to that point and those of the buyer at that point. In using the various trade terms, it is important to remember that the rights of each party correspond to the duties of the other.

Before dealing in detail with some of the more widely used trade terms, it should be pointed out that they are not accepted in all details by all trading countries. These terms have come into use over many years and although they are accepted in broad outline by the chief traders, the businessman must be on the watch for variations in various countries and even in certain trades.

The International Chamber of Commerce through its National Committees has done important work towards achieving uniform understanding among all member countries of the terms generally used in international trade.

The result of their work is the set of rules known as *Incoterms 1953* which offers the certainty of uniform rules in place of the uncertainties of the varied interpretations of the same terms in various countries. *Incoterms* lays down categorically that the seller must and the buyer must. There are no half measures—the various responsibilities are written out in detail. It covers seventeen different trade terms.

Where there were major differences in current practice, the principle was adopted that a contract price settled on the basis of *Incoterms 1953* would provide for minimum liabilities on the part of the seller, leaving it to the parties to provide in their contracts for greater liabilities than those in the set of rules, if they wished to do so.

In a few instances, provision must be made for the custom of a particular trade or port. Again variations may be required, such as “*Incoterms 1953*, c.i.f. plus War Risk Insurance”, when the buyer insists on protection against war risks.

The simplest sale on the part of the seller is “as is, where is”. This type of sale is common at auctions, sales by government agencies of surplus goods, and so on. Where the sale is for export, the seller must guarantee the availability of an export permit but there his responsibility ends. For example, a foreign government may offer for export a quantity of firearms “as is, where is”. The foreign buyer has the expense and responsibility of packing the

guns, moving them to the port of export, and all other details until they are cleared through Customs of his country and put in his warehouse.

The easiest terms of sale for the buyer is franco delivered, including duty and local cartage, to his warehouse. The buyer has only the responsibility of obtaining an import permit if one is necessary and passing the customs entry—at the seller's expense.

Between the two terms of sale already described there are many expenses that accrue to the goods in the country of export. That is why it is normal for the buyer (importer) to appoint an agent such as a freight forwarder in the country of export. The following are some of the steps required in moving merchandise from the factory to ship at port of departure:

Export permit (if required)

Currency permit (if required)

Export packing

Cartage

Carriage to the docks, including preparation of bill of lading and payment of carriage

Payment of wharfage and/or shed storage

Weighing and sampling, if required

Completion of any necessary customs export formalities

Preparation of customs or consular invoices, as required in the country of destination

Preparation and submission of the ocean bills of lading

Prepaying ocean freight, if necessary

Obtaining insurance certificate—or policy—as required.

The answer to the question who pays for any of these depends upon the terms of sale.

In dealing with the various terms, the businessman should bear in mind that some of them, as will be explained, have become loosely used, especially in North America, no doubt because they were first applied to domestic movements. It is usually best to interpret each term in its literal sense. This means, for example, always using the term "ex factory", rather than "f.o.b. factory" and avoiding any possible confusion between "ex factory" and "f.o.r"—(free on rail—or truck).

Briefly, one should remember that f.o.b. means free on board and means that the seller's responsibility and liability do not cease until the goods have passed the ship's rail. The term should, therefore, always be f.o.b. ship . . . (named port).

The seller must:—

1. Deliver the goods on board the vessel named by the buyer at the named port of shipment, in the manner customary at the port, and at the date or within the period stipulated.

2. Provide at his expense for customary preparation and packing appropriate to the nature of the goods and to their carriage by sea.

3. Bear all costs payable in respect of the goods until they have effectively passed ship's rail at the port of shipment.
4. Give the buyer, at his own expense, such notice of shipment of the goods as may enable him to insure them.
5. Provide at his expense the customary "clean" document, in proof of delivery of the goods on board the vessel.
6. Bear the costs of checking operations (such as checking of the quality, measure, weight, quantity) necessary for the purpose of loading the goods on board at the port of shipment.
7. Bear the costs of all dues and taxes payable on the goods for the purpose of loading them on board.
8. Bear all the risks of the goods until such time as they shall have effectively passed ship's rail.
9. Provide the buyer, at the buyer's request and expense, with the certificate of origin and the consular invoice.
10. Render the buyer, at the latter's request, risk and expense, every assistance in obtaining a bill of lading and any documents, other than in 9 above, issued in the country of shipment and/or of origin and which the buyer may require for the importation of the goods into the country of destination (and, where necessary, for their passage in transit through another country).

The buyer must:

1. At his own expense, charter a vessel or reserve the necessary space on board a vessel and give the seller due notice of the name, loading berth of, and delivery dates to the vessel.
2. Bear all costs and risks of the goods from the time when they shall have effectively passed the ship's rail at the named port of shipment and pay the price as provided in the contract.
3. Bear any additional costs incurred because the vessel named by him has failed to arrive on the stipulated date or by the end of the period specified, or was unable to take the goods or closed for cargo earlier than the stipulated date or the end of the period specified, and all the risks of the goods from the date of expiration of the period stipulated. This is provided, however, that the goods were duly appropriated to the contract—that is to say, clearly set aside or otherwise identified as the contract goods.
4. Should he fail to name the vessel in time or, if he shall have reserved to himself a period within which to take delivery of the goods and/or the right to choose the port of shipment, should he fail to give detailed instructions in time, bear any additional costs incurred because of such failure and all the risks of the goods from the date of expiration of the period stipulated for delivery—provided, however, that the goods shall have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.
5. Pay any costs and charges for obtaining a bill of lading if incurred under article 10 above.

6. Pay all costs and charges incurred in obtaining the documents mentioned in articles 9 and 10 above, including the costs of certificates of origin and consular documents.

We have seen how confusing f.o.b. factory can be and similarly f.o.b. port of export—e.g., f.o.b. Montreal—can also cause trouble because in some cases the seller really means f.o.r., or “ex factory”.

F.a.s. (Free Alongside Ship) . . . (named port of shipment) is quite widely used and its meaning is clear. The seller must place the goods alongside the vessel during its loading period and pay all charges up to that point. Although the seller's legal responsibility finishes once he has obtained a clean wharfage receipt, actually, as in other terms, he is obligated to assist the buyer (at the buyer's expense) to obtain any other documents which the buyer requires to complete export and carriage, plus requirements for clearance at destination. This term is particularly convenient when dealing in heavy commodities such as locomotives, etc.

C. & f. (cost and freight) and c.i.f. (cost, insurance and freight) . . . (named port of destination) are also widely used and have been urged on both importers and exporters alike by experts. Exporters feel that under such terms they can channel all their exports in bulk through the agent (forwarder) of their choosing to their own port of export and then be in a position to patronize a flagship of their own country. From the importer's point of view, these terms mean fewer responsibilities for him because it is the exporter who gambles (unless there is a suitable clause in the contract) on fluctuations in freight and insurance rates.

C.i.f. is a documentary transfer and it is therefore necessary for the importer to take up the documents at his bank even if the ship does not reach destination. Moreover, although the seller pays the cost of ocean transportation, the goods travel at the risk of the buyer.

Sometimes the seller is willing to assume the risk of exchange fluctuations that may occur between acceptance of the contract and the date of payment. In such cases the price is quoted c.i.f. & e. or f.o.b. & e.

C.i.f. & c. means that the commission charged by a middleman is included in the price. Prices quoted c.i.f. & c. again go a step farther, including not only the commission but also the interest charges which accumulate to considerable amounts in indent transactions.

However, traders should be most cautious at all times in using variations of the terms c. & f. or c.i.f. in their contracts. The reason is that over the years the courts have handed down judgments defining the various responsibilities of c.i.f. and c. & f. and the addition of a phrase may cause a court to refuse to recognize the variations as being a c.i.f. or c. & f. contract at all.

In settling disputes which arise over the question of whether the contract has been properly carried out, importers and exporters have suffered under the disadvantage of being uncertain about what law of what country will apply to their contracts. The International Chamber of Commerce *Inco-*

terms 1953 suggests that the insertion in foreign contracts of the following clause should take care of any necessary commercial arbitration:

"All disputes arising in connection with the present contract shall be finally settled under the rules of conciliation and arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the rules."

In many foreign countries—such as France, Britain, Italy, Norway, Belgium and the Netherlands—there are special commercial courts composed of businessmen who can by reason of their powers, plus knowledge of various trades, quickly arbitrate all disputes. In Canada, there are no commercial courts but a number of Boards of Arbitration do perform similar functions.

The following wording appears on many invoices from Britain:

"All goods sold in the Canadian market are subject to the arbitration rules of the Montreal and/or Toronto Boards of Trade as agreed with the Federation of British Industries."

At all times, it is essential when either buying or selling internationally that the terms used shall have a clear and explicit meaning in the contract. Not only should both parties to the contract be aware of these terms but any agent who is appointed (such as a freight forwarder) should also be acquainted with the terms so that he will know who is responsible for the various charges.

Whenever inland freight is involved, the buyer should be informed of any applicable carload rates and be given the necessary minimum quantity. And when the ocean freight is collect, the seller should discover whether or not the buyer is a signatory to the Steamship Conference operating between the two countries.

For reasons already explained, even on a c.i.f. quotation it is advisable for the buyer to satisfy himself that the seller has insured adequately against marine risks, etc. In dealing with f.o.b. named port of export, it is usual for the buyer to take out full coverage warehouse to warehouse. However, if the seller is not situated in the actual port of export, it is advisable for him to take out his own insurance to f.o.b. point because, although the buyer has warehouse-to-warehouse cover, his insurable interest does not begin until the goods reach the f.o.b. point.

Misunderstandings can occur when trading terms are not clearly understood, and similarly difficulties can result if other terms, such as weights or measurements, are not clearly defined. When goods are sold by weight, it is essential to specify whether the price refers to net weight or gross weight. Usually the price is based on net weight. Packing is often a considerable item in export trade and contracts should specify clearly who is responsible for the cost of export packing.

The same name is given in different countries to units of weight and measurement which are in fact of different value. The libra of Argentina is equal to 1.0142 U.S. pounds, the libra of Mexico to 1.0146 pounds, and

that of Venezuela to 1.0161 pounds. In most Latin American countries, 25 libras make one arroba, but in Brazil there are 32 to one arroba. The United States and the British West Indies use the Queen Anne gallon, but the rest of the English-speaking world uses the imperial gallon. Commercially, six U.S. gallons are equivalent to five imperial gallons.

An English ton (often referred to as the long ton) is 2,240 pounds but the American or short ton is 2,000 pounds. The metric ton is 2,204.62 pounds and the Spanish ton 2,271.64. A hundredweight, which is abbreviated as cwt., is 112 pounds in Britain and 100 pounds in the United States.

A shipping ton for freight-rate purposes is equivalent to 2,240 pounds or 40 cubic feet, and the steamship company normally uses the measure that gives it the greater revenue. Certain conferences operating from the United States work on a 2,000-pound ton. Here again, the businessman must always be sure of the exact meaning of the terms he uses.



Organizing for Export

O. MARY HILL, Editor, "Foreign Trade".

JOHN SMITH is making headway with methodical plans to begin exporting. He has enough production to look after his domestic customers and supply export markets too. He has carried out market research and has discovered that his product stands a good chance of selling in certain foreign countries, perhaps with some adaptations. He has calculated his export prices carefully. What is his next step?

The next step is organizing for export—deciding what is, for John Smith, the best method of selling his product to foreign customers and getting it into their hands. He must now choose between two methods of exporting: the direct and the indirect. Indirect exporting means that he will hand over the selling of his product outside Canada to an experienced intermediary, such as a combination export manager or export agent, an export merchant, or perhaps a manufacturer of allied products. In direct exporting, his own organization will take on the job, probably with the aid of commission agents in the various countries in which he seeks markets.

Each method has its advantages and disadvantages and the choice that John Smith makes will depend to some degree on the size of his company, the product to be sold, where the likely markets lie, the distribution and con-

sumption patterns in them, and how much effort he, the manufacturer, is ready to put into exporting. Many firms begin with indirect exporting and when their export sales are well established, assume the entire responsibility for them. Others combine both methods, using intermediaries only for distant or specialized markets.

Suppose John Smith chooses indirect exporting because he feels ill-equipped to handle the complexities of export or does not wish to become deeply involved until he is convinced that there is a long-term market for his goods. He must now make another choice—which of the several methods of indirect exporting suits him best. The several types of export intermediaries and how they operate are discussed below.

Combination Export Manager—The combination export manager is a man who, for a fee or a commission on sales or both, acts as export manager for a number of firms, normally those with related products but not competitive with one another. The CEM puts his expertise to work for the individual company. He studies its products, picks out those with export potential, searches for markets overseas using the network of foreign agents that he has built up, promotes the products by advertising or other means, and when they are sold, looks after the export documentation and shipping. Usually he works under a two-year contract with a company (in some instances, one year), especially when his client is new to exporting and it may take time to mount a sales campaign and produce results. Normally the CEM uses the company's letterhead and signs his name as its export manager.

Using a CEM does not mean that the company itself need not bother about any aspect of exporting. The CEM must have the full support of his client to achieve results. The firm must be willing to modify the product if this is considered essential, it may have to do its share in promotion, and it must above all live up to the delivery dates that the CEM gives a foreign customer.

Using a CEM has advantages, in addition to the obvious one of profiting by his long experience in the export market. The expenses of business travel abroad and the overhead generally are shared among several firms, not borne by one alone, and the client firm profits from the good distribution network that the CEM has built up overseas. But nothing is all gain and there are disadvantages too to this form of exporting. One is financial; the commission paid to the combination export manager may run as high as 25 per cent, though this usually includes the overseas agent's fee. Another is that the foreign customer does not get to know his real source of supply at first hand—and these close contacts are often vital. Moreover, the ability of combination export managers and the quality of their service vary. One may be trying to handle too many accounts or operating on too narrow a financial margin. And the exporter should remember that he bears the financial risk of any export venture himself, not the CEM whom he employs.

Sometimes a company just getting started in export elects to use a CEM. When it becomes clear that the product is doing well and that volume sales

are possible, it switches to doing its own exporting. One authority believes that when companies build up foreign sales of between \$300,000 and \$400,000 a year they tend to go into direct exporting, although they may retain the CEM's services for a few markets. Most combination export managers prefer to specialize in certain fields, such as agricultural products, pharmaceuticals, or pulp and paper.

Export Agent—The export agent operates in much the same way as a combination export manager, though not on as large a scale. He also works on commission and may specialize in certain commodities.

Export Merchant—Another method of indirect exporting is dealing with an export merchant. Export merchants grew up in Europe in the Middle Ages and in Britain in the last century they carried on a good share of the country's export and import trade. In fact, they still do and a number of the export merchants currently operating in Canada are branches of British or United States companies.

The export merchant differs from the CEM or the export agent in one important way—the merchant buys his client's products outright and then finds markets for them. Often he specializes in a group of commodities (such as agricultural products, minerals, chemicals, or automotive parts) or sometimes in one market area (such as the West Indies or Eastern Europe). He builds up his own sales organization in various countries and relies upon an excellent commercial intelligence system. In this way he can follow trends abroad and can often make spot sales or switch from one market to another as circumstances dictate. He may sell products under the manufacturer's label or he may put his own label on them and thus consolidate shipments from several suppliers.

What are the main advantages of dealing with an export merchant, especially for a small or inexperienced firm?

1. The manufacturer is paid cash on the barrelhead for his goods. This appeals to businesses without much capital which do not want to tie it up in foreign sales for which payment may be delayed. The export merchant takes the financial risk.
2. The manufacturer need not go to the expense of setting up an export department and does not have to select and train his own commission agents abroad.
3. Using an export merchant is a good way of finding out whether there really is a continuing foreign demand for a Canadian product.
4. It is a useful method of selling to distant or difficult markets, where know-how is all-important. In fact, some firms with experienced departments still use an export merchant in certain areas and often for "package" markets—those that buy in limited quantities. It would scarcely be worthwhile for the manufacturer to ship direct but he sells to the merchant, who can combine several shipments into one.
5. The manufacturer is left free to concentrate on production; in shipping, packaging, etc., he merely follows the merchant's instructions.

What are the disadvantages in this form of exporting? First, the manufacturer receives a lower net return on export sales. Second, selling through an intermediary means that a product may not become as well known and the supplier misses the direct contacts with buyers that can stimulate sales. Third, results may be slow in coming because a hard-headed export merchant does not usually take on a product until he has established that there is or will be a demand for it.

Many firms begin by using an export merchant but decide eventually to sell on their own or to enter the more promising markets directly. The U.S. Department of Commerce recently carried out a study of how more American manufacturers could be encouraged to enter export markets by using export merchants. One member of the Department touched on this point: "Some manufacturers have employed export merchants until they could establish and maintain a particular market. Others use these specialized services on a global basis year after year to sell an impressive amount of goods in all parts of the world."

Manufacturer of Related Products—Sometimes a manufacturer who has built up a good network of agents abroad decides to take on selling Canadian products that complement his own line. Normally he buys these goods on his own right and then sells them wherever he finds opportunities—thus in effect becoming an export merchant. Occasionally he acts merely as an export agent and charges a commission on sales.

A good example of this operation in Canada is Maple Leaf Mills Limited, which five years ago began to sell other processed foods. Today it handles the products of Culverhouse Canning Co. Ltd., McLaren's Foods Ltd., E. D. Smith & Sons, St. Lawrence Starch Co. Ltd., and Canada Vinegars Ltd. Sometimes, because of previous arrangements, it sells for clients in specific areas only. For instance, it markets E. D. Smith products in the United States, South Africa and Australia but not in Britain.

What does Maple Leaf offer to companies entering into an arrangement of this type?

- Its clients benefit from the experience it has gained in sales to 63 different countries and from the fact that its representatives visit nearly all these markets regularly and study opportunities on the spot.
- In many countries it is difficult for a new exporter to find a good agent willing to take on an untried line. It is easier to persuade this agent to sell a product offered by a principal whom he knows, especially if that product is related to but not directly competitive with those he already handles.
- In areas where there is import licensing or where import quotas are in effect, the Maple Leaf agent may have a quota as an established importer and thus has a distinct advantage over other agents.
- Like any export merchant, the company can guide its clients in matters of documentation, packing for export, credit and shipping problems.

It is important to select the right company to ensure that dedicated and continuing interest is maintained in the sale of the related products. Building

such arrangements, a company might do better to enter the export market on its own.

Suppose John Smith, after studying the various methods of indirect exporting, decides that his firm would prefer to handle export sales itself. How it does this depends upon the size of the company and also upon the markets to which it is exporting. Many companies selling in the U.S. market merely train their personnel to look after these export sales as well and perhaps enlist the services of a U.S. customs broker at the border. If shipping and documentation problems loom large, a freight forwarder may be the answer. It is not too difficult in the small firm to train staff to handle both domestic and export orders and few conflicts should arise.

Larger firms entering into exporting organize the job in one of two ways. The first is, like the small company, to use the same set-up for both domestic and foreign business. The general sales manager takes on the additional responsibility of directing foreign sales, perhaps with the help of an export manager who reports to him. The treasurer looks after export financing, the traffic manager copes with routing shipments overseas, and the credit man supervises export credits. Clerks are trained to process both types of orders. Only direct out-of-pocket expenses are charged to the export operation.

This arrangement seems simple and economical and it often works well, especially if export sales are largely concentrated in one area. It is also effective when a company is selling to large overseas customers who maintain their own buyers in North America, especially in the New York area. These "buyers for export", as they are called, may represent foreign governments or large companies (such as the oil companies) with operations in many countries.

In addition, certain firms do buying for department store chains or co-operative organizations both in North America and in Europe, and these may be approached directly.

Direct exporting does not provide the perfect solution for all export problems. One of the problems in this method is that when the domestic demand is large and the export demand small, exporting may not receive enough attention, particularly from top management. The setting-up of a committee to decide upon export policy and to push exports may help, if the committee is a high-level one and includes the president, the sales manager, the export manager, the treasurer, and the production and advertising managers.

Within the organization the problem of serving two masters—domestic and foreign customers—sometimes creates friction. The production department may be reluctant to make needed changes in a product or the shipping department may not expedite foreign orders enough. In a conflict of interests, it is usually the export side of the business that is the loser. If production falls short, the temptation is to neglect the foreign buyer.

A second method of direct exporting, customary in Canadian firms with a serious long-term interest in export trade, is to set up a separate export

department, often headed by a vice-president in charge of exports to whom the export manager (on the working level) reports. This export department carries out all functions except production and may be allocated a certain amount of annual output and left to find foreign markets for it. The export manager supervises sales, travels widely, trains staff in export procedures and in the handling of export correspondence, and carries out related duties. Expenses directly connected with export are charged to this export department.

As the company grows and its export trade expands, the time may come when it establishes a separate company to look after foreign sales; many of the large pulp and paper companies, for example, operate in this way. This subsidiary then becomes responsible for conducting the company's entire foreign trade. It buys from the parent company, which bills it as it does other customers.

A method of selling abroad that has become popular in recent years combines the advantages of direct exporting with the economics achieved by spreading export costs over a number of companies. Known as "grouping for export", it is particularly well suited to small firms in which the owner/operator handles most of the management himself or shares it with a few fellow executives with a minimum of specialization.

It works something like this. A group of companies turning out similar or closely related products decides to pool resources in exploiting foreign markets and to set up an export sales company. Several years ago a number of Canadian fruit and vegetable growers and processors formed FAVPEP (Fruit and Vegetable Products Export Promotion). The FAVPEP Council contracts with the member companies for supplies of tomato juice, which are then marketed in Britain by its sales company (FAVEX) under a common label. Even the suppliers, such as the makers of tin cans, contribute their share of FAVEX expenses and thus lessen the burden on the members. So far this experiment has been confined to one product and one market, but the hope is to move out into other areas eventually.

Another rather different example is the AMEGO group (Apparel Manufacturers Export Group Ontario) formed in 1964. It consists of several Ontario companies in the women's and children's wear fields, who have subscribed to certain standards and who are pooling their resources for carrying on promotion in the United States market. Their first combined effort was a fashion show in Philadelphia in which the companies participated; several of the firms have since followed up the leads obtained at that time. Other manufacturers in this field may join the group, provided that they conform to the standards that have been set up and provided also that all the members consent to their admission.

Other exporting groups operating in Canada include one sponsored by Ontario poultry producers, one by 28 lumber firms in Eastern Canada, and one by lumber companies in the northern interior of British Columbia. The poultry group was organized in Ontario but holds a federal charter and firms

in any part of Canada may join it. Its products too are sold abroad under a common label.

This method of exporting has long been popular in Europe and many countries have fostered it successfully. One example is the Danish group which sells in the United States textiles made in Denmark and used in interior decoration. Another is a French group that markets bicycles and bicycle parts co-operatively. The Organization for Economic Co-operation and Development has published a useful study entitled *Export Marketing Groups for Small and Medium-Sized Firms* and the Queen's Printer stocks it.

It is recommended that Canadian exporters who are considering organizing a group of this type approach the Combines Investigation Branch of the Canadian Government in Ottawa, and obtain advice on whether their intentions are within the law, which permits grouping for export, subject to certain provisos relating to the effects on domestic competition and on the export business of domestic competitors.

To succeed, these export groups need at least four things:

- Enough initial capital to launch an export promotion campaign and to sustain it until it begins to show results.
- A good export manager to get the venture off the ground and to keep it going, with adequate material and moral support from all members.
- Precise and contractual terms of association, which delineate members' rights and obligations—and, preferably, a defined trial period for the group effort.
- Continued careful attention to quality control, to build up and maintain a reputation in export markets.

One type of organization with an indirect interest in promoting export trade is the confirming house. It was developed chiefly in Britain and is almost unknown in Canada; recently, however, two overseas houses have set up branches in Canada and a third may soon do so. Generally speaking, the confirming house offers its clients services mainly in the fields of financing, shipping and insurance, though originally it performed most of the functions of an export merchant. It is geared primarily to serving importers. For example, it "confirms" to the exporter, on behalf of its importer client, that the order will be paid for when the confirming house receives the invoices and the title documents. It thus assumes all the financial risk. Some Canadian companies shipping to West European countries are paid by confirming houses in New York acting for European importers. Or the confirming house may have a British client who requests it to investigate, say, sources of supply of Canadian canned peaches. It would then seek out suppliers, arrange to purchase the peaches, and speed the shipment on its way, looking after the needed documentation, and perhaps insuring the shipment under its own policy or that of the buyer.

If the confirming house is largely oriented towards the foreign importer, how can it be of use to the Canadian exporter? First, it can place at the latter's disposal the knowledge of foreign markets that it has acquired. A Canadian

maker of lawnmowers might approach a confirming house in Toronto and ask whether, in its opinion, the mower is likely to sell in certain countries. If the answer is yes, after due investigation, the confirming house may conclude a sale to some of its foreign clients or it may turn the names of possible customers over to the Canadian firm and leave to it the follow-up. The exporter should realize, however, that a confirming house does not make contracts nor participate in contractual agreements. But if some of its clients actually buy the lawnmower, it will advise the maker on the proper packing of the product, preparation of documents, and so on, and in due course will pay him for the shipment.

The important thing for a newcomer to export to realize is that it may take time to establish just what method of exporting is the right one for him. He may begin by using an export merchant. After he acquires some knowledge of foreign markets, he may choose to turn to a combination export manager. If his export business grows, he may eventually set up his own export department. How fast he moves and in what directions may depend upon his product, the time and energy that he wishes to devote to the export side of the business, and on many other factors. But he should understand at the start the many types of service to exporters that are available in Canada and the ways in which he can make use of them.



What Is the Exporters' Directory?

JOHN BROWN and Company of Montreal makes widgets and has decided to try and sell these widgets abroad. It has been in touch with the Department of Trade and Commerce in Ottawa; Mr. Brown has discussed various aspects of exporting with a Commodity Officer who knows something about widgets and their possibilities and has continued these discussions with the Area Trade Officers. He has written to the Canadian Trade Commissioners in several likely markets. But so far his company has had neither the staff nor the money to try personal prospecting overseas.

One day John Brown receives a letter from an importer in Beirut, Lebanon, inquiring about his widgets. This puzzles Mr. Brown for a moment, because he has never written to the Trade Commissioner in Beirut nor even thought of selling his product there. Yet the importer's letter says that the Canadian Trade Commissioner suggested he write to John Brown and Company, among others. Telepathy?

Then John Brown remembers that, following his first contacts in Ottawa, he received a form from the Transportation and Trade Services Branch of the Department, filled it out, and returned it. This form, designed especially for manufacturers and producers interested in export trade, asked for a good deal of information about the company and its products. The

reason: to secure for it a listing with some 6,000 other Canadian firms in the *Exporters' Directory*.

What is the *Exporters' Directory*? It is a confidential directory of Canada's exporting community and the products that it can supply for export, maintained by the Department of Trade and Commerce. The Department supplies every Foreign Service Officer in every post of the Canadian Trade Commissioner Service and every Commodity Officer in the Department with a copy. It is their basic working tool, on which these men rely for information about Canadian companies, their agents, their products, and so on. So when the Trade Commissioner in Beirut was asked about Canadian suppliers of widgets, he turned to the *Exporters' Directory* and came up with the answer.

What kind of information was John Brown and Company asked to supply for the Directory? Among other things, the name and address of the firm, its telephone number, telex number, cable address, names of the executive officers and officers directly concerned with export trade, and the name and address of the firm's Canadian bank. (If the firm is not independent but a subsidiary, some details about parent-subsidiary relationships are requested.) In addition, the company was asked to list its foreign agents, the countries to which it was currently selling and those to which it would like to sell, and its number of years in export trade. It was also asked to describe in detail the product or products it had for export.

All these details, John Brown was assured, *would be held in strict confidence* by the Department and would never be revealed to rival companies nor used to impair his firm's competitive position. And a listing would bring many benefits.

The basic data from which the Directory is assembled and kept up-to-date are obtained from questionnaires like the one John Brown filled out. In addition to the form for manufacturers and producers, there is one for export agents and merchants and another for suppliers of services, such as consulting engineers. The questions asked of export agents and merchants include the manufacturers represented, method of operation, products exported, and so on. Suppliers of services are asked to provide exact details on the type of services rendered. All information supplied must be as accurate and specific as possible.

The first section of the Directory consists of an alphabetical list of exporters. Each listing contains the name and address (including cable address) of each company, its executives, foreign agents, associated companies if any, products, areas of export interest, and its bank. A summary of credit rating, provided by Dun and Bradstreet, is also included.

The next section lists firms according to their products under about 600 commodity headings and gives under each listing a description of the products made. The third section lists all foreign agents of Canadian exporters, arranged by country and city, so that each Trade Commissioner post has an easy-to-use record of all agents for Canadian companies in its

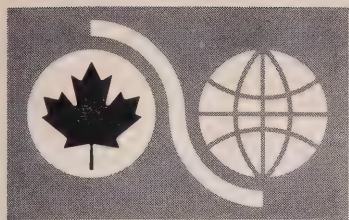
territory. The final section gives the cable addresses of all Canadian exporters covered by the Directory.

The *Exporters' Directory*, once it is assembled and copies dispatched to all Trade Commissioner and some Department offices, isn't a finished story. To be useful, it must be kept up-to-date—and that's a big job. The names of new firms must be added, those of companies going out of business removed, and all the listings overhauled at least once a year. (The Department is now studying the possibility of using automatic data processing methods in compiling and updating the Directory.)

This constant revision is the work of the Directories Section of the Transportation and Trade Services Branch. In April and May of each year it sends out questionnaires to all firms and exporters listed, to be filled in and returned. In 1965, some 6,000 forms went out and about 455 were not returned. The 1964 information on these latter companies was sent out, but marked as being possibly unreliable. They are thus at some disadvantage with users of the Directory.

Some exporters make material changes in their operations during the course of a year and want the Department and the Trade Commissioners overseas to know about these immediately. These companies should notify the Directories Section, Transportation and Trade Services Branch, Department of Trade and Commerce, as soon as possible. Twice a year the Section issues supplements to the Directory containing the names of firms added and giving changes in the data on those already included.

Thinking seriously about going into export trade? Then take two steps without delay. First, write to the Department of Trade and Commerce in Ottawa or pay a personal call, seeking advice on exporting and help with possible problems. Second, ask that your firm be listed in the *Exporters' Directory*. It is one sure way of making your company and its products known to Trade Commissioners everywhere. Perhaps it will help you to sell widgets too.



Finance and Credit in Normal Exporting

WILLIAM BURT, Manager, International Department,
Canadian Imperial Bank of Commerce, Montreal.

IN every export transaction the elements of credit and finance are inextricably interwoven, and success in the export field requires that every exporter have an understanding of these factors, of their interdependence, and of how they may be assessed and related to a particular situation. From a banker's standpoint, in relation to export trade, these terms may be defined as follows:

Credit—"The agreement of a seller of merchandise to accept payment from the buyer after a stipulated period after shipment or actual delivery."

Financing—"The provision of financial assistance either to the seller or to the buyer by an outside source, such as a bank, for the period during which the goods are in transit and any additional period that may be arranged to cover special circumstances."

Credit is inherent to some extent in every export sale, unless the seller is in the fortunate but unlikely position of having received payment in advance of shipment. The first question, therefore, that will invariably occur to an exporter before he signs an agreement with a foreign buyer will be about credit: "How much, for how long, and how do I protect myself?" Before this question can be answered with any degree of assurance, it is essential that the exporter be aware of the various methods of trade financing and

understand the basic mechanics, protective features, and attendant risks of each. These methods have been developed and refined over the past few centuries and are now the foundations on which virtually all international trade settlements are based. The differences between the various methods are, from an exporter's point of view, related primarily to credit considerations. The method selected for dealing with any particular transaction or buyer will, in general, be that giving the exporter the degree of security compatible with his assessment of the creditworthiness of the buyer and, to some extent, that of the country of import.

The basic instrument used in financing trade is the bill of exchange or, more familiarly, the draft. It has been in use since early Greek times and is now defined by statute, in terms which could hardly be improved, as "an unconditional order in writing addressed by one person (exporter) to another (buyer) signed by the person giving it (exporter) requiring the person to whom it is addressed (buyer) to pay on demand, or at some fixed or determinable future time, a sum certain in money to, or to the order of, a specified person or to bearer."

Each of these requirements is specific, so that essentially the bill of exchange is a simple document. Its importance, however, lies in the fact that in most countries it may, by a simple legal process known as "protest", be established as proof of debt and the basis for accelerated legal recourse against a defaulting buyer.

For centuries after its initial development by the earliest colonizing countries, trade was conducted first on a barter and then on a cash-and-carry basis. Credit and finance did not enter the picture apart from the domestic borrowing that might be needed to finance a trading venture. During the first half of the nineteenth century, however, the development of specialized banking techniques (particularly those of the so-called "merchant" bankers in London) together with the simultaneous development of organized marine insurance, provided the impetus for an extraordinary increase in international trade. The financing medium used by these merchant banks—the principals of which were merchants as well as bankers—was the bill of exchange in the form in which we use it today.

Most international settlements of that period were made on the basis of pounds sterling and the "bill on London" became a world-wide medium of settlement for trade debts. The Argentinian seller of merchandise destined for an English buyer, for instance, would draw a bill on the buyer, payable on the expected date of arrival of the goods in an English port. On shipment, the seller would hand the bill with documents of title to the goods to his local bank, usually agents of a British banking house, who would discount the bill or advance cash against it. The bank would then forward the documents, usually by the carrying vessel, to its agents in London. They in turn would present the bill to the buyer for payment, against delivery of the documents which would enable him to claim the goods from the vessel. By this procedure the sellers obtained a measure of security not previously

available to them, in addition to the use of the amount involved from the time of shipment.

There are five main methods of financing in use today in varying degrees:

- (a) Cash payment, either on confirmation of order or on readiness for shipment
- (b) Open account
- (c) Shipment on consignment
- (d) Documentary bill or draft
- (e) Documentary letter of credit

● **Cash Payment**—The first of these, cash payment in advance of shipment, requires little consideration because there are few such settlements nowadays. He would be a fortunate exporter indeed who could demand and receive payment on this basis in the buyer's market prevailing today. Financing under this method is provided by the buyer or by an outside source on the buyer's account.

● **Open Account**—The second method, open account, is generally restricted to cases where an inter-company relationship exists or where the exporter and foreign importer have had long and favourable dealings together and there are no exchange restrictions that might complicate settlement. Sales on open account are usually settled on the basis of periodic statements of account through bank mail or cable facilities. Financing in this instance is carried by the exporter, who must obviously have sufficient financial strength or creditworthiness to carry the inventory abroad out of his own resources. Otherwise the method presents few financing problems. One disadvantage is that in the event of default by the buyer, there is no bill of exchange on which proof of debt may be established.

● **Consignment**—The third method, shipment on consignment, has much in common with open account shipment. The basis of consignment is that the exporter retains title to the goods but agrees that payment will not be required until the goods have been sold in the country of import. The method has a competitive advantage in that the exporter's product is actually placed in the foreign market without loss of title, but it also involves considerable risk. Until the goods are sold the consignee may return them at any time, without any liability and at the seller's expense. There may be difficulty in ensuring that the consignee observes faithfully the terms of the consignment agreement. The exporter's assets may be built up abroad to a dangerously high degree, outside his control and subject to political, exchange and climatic risks. In this method also there is no bill of exchange involved, to the detriment of the seller's position in the event of default. Shipment on consignment, then, should only be made when the exporter fully understands the credit and other risks involved, and should probably be limited to reliable countries where the consignee is, on the basis of past performance, a proved and trusted agent. Financing on consignment is provided entirely by the exporter.

● **Documentary Bills**—The fourth method, and one of the most widely used in export trade, is by means of the documentary bill or documentary draft. The essence of this type of transaction is that the exporter is willing, after considering the credit risks involved, to ship the goods before payment. But he is not prepared to allow the buyer to take possession of them before payment is assured or before the buyer's obligation to pay has been established.

The mechanics of the system require the exporter to draw a bill of exchange on the buyer, payable at sight in cases where no trade credit is being extended or payable at same date to take care of inherent credit terms. The exporter then hands the bill to his bank, together with the documents of title; these usually comprise at least commercial and customs invoices, marine insurance policy or certificate, and a full set of ocean bills of lading. The insurance documents and bills of lading are usually in negotiable form: that is, made out in favour of, or to the order of, the shipper and endorsed by him in blank. These sets of documents are known generally as "collections", termed d.o.p. (documents on payment) where the documents are to be surrendered to the buyer only upon payment of the bill, or d.o.a. (documents on acceptance) where the buyer may receive the documents on his "accepting" the bill—that is, by signing his name across the face of it in acceptance of the obligation that it represents.

These collections are presented to the buyer for payment or acceptance as appropriate, through a banking correspondent in the buyer's country. In a sight bill the buyer would receive the documents, which allow him to claim the goods at Customs, on payment of the amount due. This is remitted back to the exporter's bank for his account. Where a term bill is employed, the buyer would normally receive the documents on acceptance and the bill would be returned to the exporter's bank to be presented again to the buyer for payment on the maturity date.

There are circumstances where a term bill is employed and where the buyer requires some time after effective import to arrange a sale, when it might be desirable to retain title to, and control of, the goods until final payment. The documents would then be forwarded on a d.o.p. basis and the bill presented for acceptance in the normal manner, but the documents would be released only on payment at or before the maturity date of the bill. In the interim, the correspondent bank would be required to arrange for the warehousing and insurance of the goods, if necessary.

In practice, there are many risks that must be considered. The first is, of course, the refusal or inability of the buyer, for a variety of reasons, to pay for the shipment. In the case of dishonour of a sight bill by non-payment or a term bill by non-acceptance, warehousing and insurance of the goods are usually involved, with the possibility of subsequent return shipment or disposal to another buyer at substantial expense and loss in value. Where the documents are released on acceptance of a term bill which is dishonoured by non-payment at maturity, the situation could be even worse. The buyer gains possession of the goods on acceptance, but this establishes

only his obligation, not his ability, to pay. At maturity of the bill, dishonour may be accompanied by the disappearance of the goods into the hands of third parties and the only recourse is through expensive litigation abroad. Even if the buyer is able and willing to pay, action by his own government in the imposition of exchange restrictions might prevent his making payments.

Before accepting responsibility for a collection, then, the exporter's bank will require definite instructions covering the initial steps to be taken should any of these contingencies arise, particularly as to whether the effective bill should be protested to preserve the right to legal recourse, on the basis of the bill alone, at a later date. It should be noted also that in many countries it is common practice for importers to refuse to take up documents before the arrival of the carrying vessel. It is generally advisable for the exporter to instruct his bank to allow the documents to be held without further action by their correspondents abroad, if necessary, pending arrival of the vessel. In documentary bill transactions the rôle of the banks is limited to the provision of a specialized service, through their own systems and those of their correspondents. They do not appear as principals in the transaction and they accept no liability short of outright negligence, although they do endeavour to protect their customer's interests and his merchandise at all stages of the transaction.

The financing of documentary bill transactions may be done in several ways. Where the bank is required to forward the bill on collection and credits the exporter's account only after final payment, the exporter carries the financing cost himself. He may, of course—provided his credit standing with his bank is satisfactory—arrange for his bank to "negotiate" the bill before forwarding it abroad. The bank, by this means, finances the entire period until final payment is received from abroad. The interest factor may be charged to the customer on final settlement or at the time of negotiation. Or, if the contract of sale permits, the interest may be added to the bill on collection from the drawee, but the bill must then bear a clause indicating that it is drawn payable plus interest at a certain rate (per cent).

A similar procedure is used where a period of trade credit has been given, but the exporter himself finances the shipment period and until the bill duly accepted by the buyer, has been returned to the bank in Canada. The accepted bill may then be "discounted" by the exporter's bank for the period until maturity; discounting in the normal course means that the interest for the unexpired term of the bill is calculated and deducted from the face amount. The net amount is then paid to the exporter and the bank carries the face amount at maturity for its own account. When the contract of sale so allows, such discount may be charged to the buyer at maturity of the bill; the exporter is paid the face amount at the time of discount. This condition must be indicated on the bill by an appropriate clause, however, at the time of presentation to the buyer for his acceptance. Another alternative is for the exporter to pledge his export bills with his bank as receivables in full or partial security against a general credit line.

(Continued on page 53)

Exhibit A—Export Irrevocable Letter of Credit

THE facsimile form Exhibit A opposite indicates the terms in which a letter of credit might be received from a foreign importer in the following circumstances:

Car Supplies Limited, Kingston, Jamaica, has contracted to purchase from John Jones & Co. Limited, Toronto manufacturers, 30 complete sets of mechanics' tools, in one shipment up to January 31, 1965, packed in individual cases at a price of £800-0-0 sterling, c.i.f. Kingston, Jamaica, on the basis of £200-0-0 on receipt of order and the remainder 90 days after date of shipment. John Jones & Co. Limited requests an irrevocable letter of credit in its favour to cover the balance.

Exchange/Import Regulations

Important requirements which should be noted in the facsimile credit are:

- (a) The credit confirms that the necessary authority is held by the importer.

Drafts

(a) Drafts must bear the same date as the "on board" notation appearing on the bills of lading.

(b) Drafts must be drawn payable at 90 days after date.

(c) Amount of drafts to be for the outstanding balance of the contract price, as evidenced by the invoices.

(d) Drafts must bear particulars of the letter of credit as stated and be drawn on the London office of the opening bank — *not* on the buyers.

Shipment

(a) Only one shipment of the entire order is allowed.

(b) Shipment must be completed by January 31, 1965.

(c) Sellers are responsible for freight charges to ocean port, and prepayment of ocean freight to Kingston, Jamaica.

Documents

Commercial Invoices: These must show buyer's order number and date, the full contract price, deduction of prepaid amount, and net claim. The invoices must also show the contract price basis c.i.f. Kingston, Jamaica. The description of the goods must be exactly as shown in the credit and shipping marks exactly as shown in bills of lading and insurance policy/certificate should be given.

Combined Invoice and Certificate of Value and Origin: This is a Jamaican form (Form C23). The invoice particulars are basically as required for commercial invoices. The certificate of value and origin must also be completed so that the goods will qualify for preferential tariff treatment in Jamaica.

Bills of Lading: These must be dated not later than January 31, 1965, made out to order of John Jones & Co. Ltd., and endorsed in blank by them. The "notify" clause and steamship company acknowledgment of payment of freight must appear thereon. Shipping marks must agree with those appearing on the invoices and insurance documents. Any "on board" notation must be dated and either signed or initialled by the carrier or his agent. A general description of the goods, such as "30 cases tools", is acceptable.

Insurance Documents: Either policy or certificate is acceptable, made out in favour of shippers and endorsed by them in blank. Goods are to be insured for 110 per cent invoice value to protect buyers for full purchase price in the event of loss. Shipping marks must be exactly as appearing on the bills of lading and invoices. A general description of the goods, such as that used on the bills of lading, is acceptable.

When the required documents are assembled they will be handed by John Jones & Co. Limited to its bankers for processing. Presentation must be made without delay, since the drafts must reach the paying bank in London not later than February 15, 1965, when the credit will expire and the liability of the opening bank will be extinguished. The negotiating bank must also be allowed sufficient time to examine the documents and forward them to Kingston, Jamaica, to reach there not later than the date of arrival of the carrying vessel.

NON-NEGOTIABLE
COPY

IRREVOCABLE COMMERCIAL LETTER OF CREDIT

154 81

CANADIAN IMPERIAL
BANK OF COMMERCE

NUMBER

1234

AMOUNT

£600-0-0 Stg.

Kingston, Jamaica.

October 31, 1964.

BRANCH & DATE

TO:

John Jones & Co. Limited,
1 Commercial Street,
Toronto, Ont.

ON Canadian Imperial Bank of Commerce, 2 Lombard Street, London E.C. 3, England -
AT 90 Days After Date * - - - - - FOR ANY SUM OR SUMS NOT EXCEEDING A TOTAL
OF Six Hundred Pounds, Sterling - - - - -
FOR 75% INVOICE VALUE OF AND UPON DELIVERY OF DOCUMENTS AS DESCRIBED BELOW, COVERING
SHIPMENT OF

30 complete sets Mechanics Tools;
Sets packed in individual cases.
C.I.F. Kingston.
Part shipments are not permitted.
Transshipments permitted.

Exchange Control Authority held.

TO Kingston, Jamaica.

FROM Canadian Port.

FOR ACCOUNT OF Car Supplies Ltd., 1 King Street, Kingston, Jamaica.

DRAFTS DRAWN UNDER THIS CREDIT MUST BE NEGOTIATED BY A BANK NOT LATER THAN
AND BE ENCASED: "DRAWN UNDER C. I. B. OF C. Kingston, Jamaica. CREDIT NO. 1234.

DRAFTS WHEN PRESENTED FOR NEGOTIATION MUST BE ACCOMPANIED BY:
Full set "on board" Ocean Bills of Lading to shipper's order blank endorsed, marked
'Notify Car Supplies Ltd., 1 King Street, Kingston' and 'Freight Prepaid' and dated
not later than January 31st, 1965.

Commercial Invoices in quadruplicate stating as per Buyer's Order No. 567 dated
October 15, 1964 and showing full invoice value £800-0-0 less prepayment of £200-0-0
outside terms of this Credit.

Marine Insurance Policy or Certificate for 110% invoice value including Institute
Cargo Clauses (all risks) and War Risk.

Combined Invoice and Certificate of value and origin in quadruplicate, duly signed
and witnessed.

* Drafts must bear same date as Bills of Lading.

THIS CREDIT EXPIRES IN LONDON ON FEBRUARY 15, 1965.

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS
AND PRACTICE FOR DOCUMENTARY CREDITS (1962 REVISION) AS FIXED BY THE NINETEENTH CONGRESS OF THE
INTERNATIONAL CHAMBER OF COMMERCE.

THE BANK NEGOTIATING THE DRAFTS IS REQUIRED TO SEE THAT THE DOCUMENTS ARE IN ORDER AND
ENDORSE THE AMOUNT HEREON ~~and to forward~~ ^{and to forward} ONE SET OF NEGOTIABLE DOCUMENTS AS ABOVE
DESCRIBED, ~~AND TO FORWARD THEM~~ ^{and} BY FIRST AVAILABLE AIRMAIL, ~~and~~ ALL REMAINING DOCUMENTS TO BE
~~FORWARDED~~ BY SUBSEQUENT AIRMAIL TO THE CANADIAN IMPERIAL BANK OF COMMERCE, Kingston, Jamaica.

WE HEREBY AGREE WITH THE DRAWERS, ENDORSERS AND HOLDERS IN DUE COURSE OF DRAFTS DRAWN
UNDER THIS CREDIT THAT SUCH DRAFTS SHALL BE DULY HONoured ON PRESENTATION ~~PROVIDED THAT ALL~~
~~TERMS AND CONDITIONS OF THE CREDIT HAVE BEEN COMPLIED WITH~~ AND PROVIDED THAT THE DRAFTS ARE
ACCOMPANIED BY A CERTIFICATE OF THE NEGOTIATING BANK TO THE EFFECT THAT THE REMAINING DOCUMENTS
HAVE BEEN DISPOSED OF AS STIPULATED ABOVE, and that all terms and conditions of the credit
have been complied with.

FOR CANADIAN IMPERIAL BANK OF COMMERCE

***** SPECIMEN *****

AUTHORIZED SIGNATURE

***** SPECIMEN *****

COUNTERSIGNED

Exhibit A—Bill of Exchange (Draft)

THE specimen Bill of Exchange (draft) below indicates the form of wording normally employed in letter-of-credit drawings and complies with the terms of the credit in Exhibit A.

Domicile		November 15, 1964.		Form 10-61	
				£600-0-0	
				(Amount in figures)	
date		90 Days		after	
Ourselves		of this FIRST of Exchange (Second unpaid) pay to the order of			
Six Hundred Pounds Sterling		the sum of			
Value received, and charge to the account of					
To Canadian Imperial Bank of Commerce,					
London, England.					
JOHN JONES & CO. LIMITED					
per <i>John Jones</i>		President			
No. 2697		Drawn under C.I.B.C., Kingston, Jamaica, Credit No. 1234.			

CANADIAN IMPERIAL
BANK OF COMMERCE

Exhibit B—Bill of Exchange Draft

THE specimen draft shown as Exhibit B (Draft) indicates the form of wording normally employed in such foreign currency transactions. In this case the exporter expects the buyer to pay all statutory and bank charges levied in his own country; for most countries, however, authority to waive in case of refusal is advisable.

Form 10-64

November 15, 1964.

Domestic

Date

Ninety days

after

£600-0-0 Stg.

(Amount in figures)

of this FIRST of Exchange (Second unpaid) pay to the order of

the sum of

Canadian Imperial Bank of Commerce

Six Hundred Pounds Sterling

(Amount in words)

Value received, and charge to the account of

To Car Supplies Limited,

1 King Street,

Kingston, Jamaica.

payable at the collecting bank's address for demand drafts on London

on date of payment plus exchange, stamps, commissions and all bank charges

JUNE JONES & CO., LIMITED

per J. J. Jones

President

NO. 88 1379

BANK OF COMMERCE

CANADIAN IMPERIAL

Exhibit B—Bank Documentary Collection Letter


CANADIAN IMPERIAL BANK OF COMMERCE INTERNATIONAL DEPARTMENT HEAD OFFICE TORONTO 1, CANADA		CABLE ADDRESS "CANSBANK" TORONTO													
MAIL TO Canadian Imperial Bank of Commerce, Kingston, Jamaica.		November 25, 1964. <small>DATE</small>													
ORIGINAL		When corresponding please refer to Collection Number SB 1379													
WE ENCLOSE FOR COLLECTION OUR															
Received from John Jones & Co. Ltd., Toronto <small>DESCRIPTION</small>															
Drawn on Car Supplies Ltd., 1 King St., Kingston, Jamaica. <small>Place</small>		Drawn by John Jones & Co. Limited, Toronto <small>Place</small>													
Tenor 90 D/D <small>AMOUNT</small>		£600-0-0 Sterling													
This draft is endorsed with the following clause: Payable at the collecting bank's selling rate for demand drafts on London on date of payment plus exchange, stamps, commissions and all bank charges.															
DOCUMENTS															
The relative documents as described below are being forwarded to you by first and second mails and if necessary you may give your authority to this effect.															
Bills of Lading	Insurance Certificates	Invoices	Statements of Origin												
3/3	2/2	4/4	1/1												
Steamer Peter Pan		Date 20/11/64 Commodity Mechanics Tools													
SPECIAL INSTRUCTIONS KINDLY OBSERVE ONLY INSTRUCTIONS MARKED "X" <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/> No Protest for Non-Acceptance</td> <td style="text-align: center;"><input checked="" type="checkbox"/> Deliver Documents on Payment</td> <td style="text-align: center;"><input type="checkbox"/> Cable Advice of Payment</td> </tr> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/> No Protest for Non-Payment</td> <td style="text-align: center;"><input checked="" type="checkbox"/> Deliver Documents on Payment</td> <td style="text-align: center;"><input checked="" type="checkbox"/> Air Mail Advice of Due Date</td> </tr> <tr> <td style="text-align: center;"><input type="checkbox"/> Protest for Non-Acceptance</td> <td style="text-align: center;"><input checked="" type="checkbox"/> Cable Advice of Non-Acceptance</td> <td style="text-align: center;"><input type="checkbox"/> Import No Cable Expense</td> </tr> <tr> <td style="text-align: center;"><input type="checkbox"/> Protest for Non-Payment</td> <td style="text-align: center;"><input checked="" type="checkbox"/> Cable Advice of Non-Payment</td> <td style="text-align: center;"><input checked="" type="checkbox"/> Hold for Arrival of Goods</td> </tr> </table>				<input checked="" type="checkbox"/> No Protest for Non-Acceptance	<input checked="" type="checkbox"/> Deliver Documents on Payment	<input type="checkbox"/> Cable Advice of Payment	<input checked="" type="checkbox"/> No Protest for Non-Payment	<input checked="" type="checkbox"/> Deliver Documents on Payment	<input checked="" type="checkbox"/> Air Mail Advice of Due Date	<input type="checkbox"/> Protest for Non-Acceptance	<input checked="" type="checkbox"/> Cable Advice of Non-Acceptance	<input type="checkbox"/> Import No Cable Expense	<input type="checkbox"/> Protest for Non-Payment	<input checked="" type="checkbox"/> Cable Advice of Non-Payment	<input checked="" type="checkbox"/> Hold for Arrival of Goods
<input checked="" type="checkbox"/> No Protest for Non-Acceptance	<input checked="" type="checkbox"/> Deliver Documents on Payment	<input type="checkbox"/> Cable Advice of Payment													
<input checked="" type="checkbox"/> No Protest for Non-Payment	<input checked="" type="checkbox"/> Deliver Documents on Payment	<input checked="" type="checkbox"/> Air Mail Advice of Due Date													
<input type="checkbox"/> Protest for Non-Acceptance	<input checked="" type="checkbox"/> Cable Advice of Non-Acceptance	<input type="checkbox"/> Import No Cable Expense													
<input type="checkbox"/> Protest for Non-Payment	<input checked="" type="checkbox"/> Cable Advice of Non-Payment	<input checked="" type="checkbox"/> Hold for Arrival of Goods													
IN CASE OF DIFFICULTY PLEASE INFORM Who will endeavour to obtain due honour of this draft as drawn. Whose instructions with respect to payment of this draft and disposition of documents, if any, you are authorized to follow.															
UPON PAYMENT, please: remit the proceeds to Canadian Imperial Bank of Commerce, London, England, for credit of our account under airmail advice to us quoting our SB 1379.															
ADDITIONAL INSTRUCTIONS SPECIMEN FORWARD ALL CORRESPONDENCE BY AIR MAIL															
Yours Truly,  MANAGER															

Exhibit B—Bank Documentary Collection Letter

THE facsimile form Exhibit B opposite is typical of those used by the Canadian chartered banks for the collection of documentary drafts. The detail in this letter covers the same transaction as in Exhibit A but in this instance John Jones & Co., Limited is satisfied with the acceptance of the buyers of their draft without the guarantee of a bank. The documents required will be similar to those called for in a letter of credit transaction. The drafts will only be accepted, however, when the buyers have examined the documents and have found them satisfactory.

The special instructions shown on the form are within the discretion of the exporter. The reverse of the form also contains special standard instructions to the bank's foreign correspondent, which read as follows:

"In case of dishonour, please try to obtain the goods, have them landed (store in bonded warehouse) and insure for 'whom it may concern', notifying us. It is, however, understood that you may modify these instructions in order to adapt them to laws and usages prevailing in your country, and that you may take such action as you may deem most expedient to protect or promote our interest in the matter

These methods by which the exporter obtains the funds before payment of the bill are basically loans to the customer and are so regarded by the banks, which retain full recourse to the exporter in the event of dishonour by non-payment or non-acceptance of bills negotiated or discounted. The banks must also consider the credit background of each bill before such negotiation or discount.

The remaining avenue of financing is through commercial or documentary letters of credit. These instruments had their beginning in the earliest days of banking in mediaeval times but their widespread use to cover the international movement of goods has only come into being over the past hundred years. The letter of credit is a more expensive means of financing than the methods already discussed, and its popularity despite this factor is an indication of the extra security that the exporter employing it enjoys. A letter of credit is an instrument issued by a bank in favour of the exporter (known as the beneficiary) whereby the issuing bank undertakes to pay to the beneficiary a certain amount of money against delivery of specified documents within a stated period of time. In effect, the credit of the issuing bank is substituted for that of the buyer.

Letters of credit can be segregated into two main types:

1. The Revocable Credit—This type, although issued by a bank and backed by its undertaking, must be treated with caution. As its name implies, it can be revoked or cancelled, and this may be done at any time without the consent of, and without notice to, the beneficiary. Although banks generally advise cancellation, they are under no obligation to do so. A revocable credit is therefore best regarded as a guide in the preparation of documents. Unfortunately, the use of revocable credits is not widespread and the situations in which they are employed are mainly those where a high degree of trust exists between seller and buyer but a credit is required as a vehicle for financing purposes.

Forms of letters of credit used by banks in the Far East are known as

the "Authority to Pay" and "Authority to Purchase". Originally these were simply types of revocable credits, carrying no undertaking by the issuing bank and requiring caution on the part of the exporter. The "Authority" in such form represented little more than a favourable credit report on the buyer. In practice nowadays they generally bear the guarantee of the issuing bank and have the effect of an irrevocable credit.

2. The Irrevocable Credit—The irrevocable credit is by far the most common today. It is an undertaking by the issuing bank that cannot be revoked or modified before the expiry date without the express consent of all parties to the credit. The credit constitutes a legally binding agreement between the issuing bank and the exporter, no matter what calamities may befall the buyer in the interim.

When the sale agreement between a foreign buyer and the Canadian seller is completed, the buyer requests his own bank abroad to issue a letter of credit in favour of the exporter (the beneficiary). This facility forms part of the buyer's credit line with his bank. The foreign bank will then request its Canadian correspondent bank to advise the beneficiary of the terms on which shipment must be made. At this stage the Canadian bank is not a party to the credit and it will therefore incorporate in its advice a clause in the following terms:

"We have not been requested by the above-named bank to confirm this instrument, and consequently this advice conveys no engagement on our part."

It is unlikely that either the exporter or a bank would encounter any problems in negotiating or paying drawings which comply with the terms of an irrevocable credit issued by a well-known bank located in a stable country. Many exporters, however, require a further precaution, particularly when the issuing bank is not well known to them or when the country in which it is located is encountering economic difficulties. This takes the form of the confirmation by a Canadian bank of the foreign bank's credit. When this confirmation is given, the Canadian bank's advice will contain a clause similar to the following:

"The above credit carries our confirmation and we hereby agree with the drawers, endorsers and holders in due course of drafts drawn under this credit that such drafts will be duly honoured on presentation provided that all the terms and conditions of the credit have been complied with."

With the addition of this clause, the credit is known as a "confirmed irrevocable credit" and the exporter knows that he is assured of ultimate payment by a Canadian bank, with no factors to worry about other than meeting the terms.

The following basic points of letter-of-credit practice should be clearly understood:

1. Although the Canadian bank may be willing to advise the beneficiary of the terms of a foreign bank's letter of credit to which its confirmation has not

been added, this does not mean that it is automatically obliged or even willing to pay or negotiate drafts drawn under it.

2. The Canadian bank cannot add its confirmation at the request of the exporter. This must be arranged by the buyer through the issuing bank or the exporter's direct request.

3. Letters of credit deal with the payment of money against documents only. Neither the issuing bank nor the Canadian advising bank is concerned with the quality or other detail of the merchandise actually shipped and sold, it is guided only by what the documents attest.

4. Although the terms of a letter of credit should reflect the principal considerations of the underlying sales contract, the issuing and negotiating banks will be guided strictly by the terms of the credit alone, whether they conform to the sales contract or not.

5. The terms of a letter of credit, even if it is in confirmed form, must be observed in minute detail or the protection afforded by the credit is lost. If documents containing discrepancies are presented in violation of the credit and the negotiating bank will accept them only if a written agreement of the exporter has given the buyer a ready-made and valid excuse for amending the contract and refusing to take up the goods if it is advantageous for him to do so. Legal liability under the credit is binding only when all the requirements of the credit have been satisfied, and the exporter should inform as early as possible that he can meet every detailed requirement or should do so through the buyer an amendment to the terms that will enable him to do so.

6. Documents should be presented to the negotiating or paying bank as soon as possible after shipment. The period allowed is not determined and obviously presentation must take place on or before the expiry date stipulated in the credit. However, banks will not, without specific instructions, accept documents which even if otherwise in order cannot be forwarded to the country of destination of the goods before the arrival of the carrying vessel. Although the credit will not so indicate, it is understood that the buyer has not contracted to pay demurrage and other costs that may be incurred after the arrival of the documents. For short voyages, where it is unlikely that bills of lading and other documents can be assembled and presented in sufficient time, the exporter should request an amendment allowing his bank to accept "stale" bills of lading.

Basically, the mechanics of financing transactions by letter of credit are similar to those employed in documentary bill transactions. Credit is made the vehicle for the financing of the transit period and for the provision of any trade credit that the exporter extends to the buyer up to, say, 90 days. This financing, however, by virtue of the fact that a bank guarantees payment, is much more attractive to another banker and the related bills of exchange may be readily negotiated or discounted.

A set of rules governing uniform customs and practice for documentary credits proposed by the International Chamber of Commerce in 1930 and adopted by banks in various countries since 1933. The object of Uniform

Customs is to ensure as far as possible that the same interpretation of letter-of-credit requirements and practice is applied by any bank in the countries party to the agreement. On the last revision, effective July 1, 1963, Canadian banks for the first time adopted Uniform Customs and a brochure containing the terms in English and French may be obtained from any chartered bank. Although Uniform Customs are not intended to be the answer to every problem, every exporter should find them of great assistance in dealing on the basis of letter of credit.

The foregoing sections have dealt solely with financing of normal exports: that is, the general run of commodity trading on a short-term credit basis from the time of shipment. A substantial amount of financing is also available for preshipment finance and for longer-term credit export contracts.

1. Preshipment Financing — The chartered banks are, of course, well aware that in many instances the exporter needs financial assistance long before the goods are loaded on board an ocean vessel. He may need it to acquire basic raw materials, to finance plant extension or the purchase of new machinery, or to supply temporary additional working capital. A substantial part of bank advances at any time is in fact being used to provide such assistance in approved cases under Sections 86-90 of the Bank Act, the purpose of which is to facilitate each stage of production, from raw material to finished export product. Such advances are, of course, classed as domestic business by the banks and are not generally regarded as within the scope of export financing techniques.

2. Export Finance Corporation of Canada, Ltd. — The entire capital of this corporation was acquired by the Canadian chartered banks in 1961 for the purpose of providing a pool of funds for the financing at reasonable rates of exports sold on credit terms of one to five years, a period not previously covered by normal bank short-term financing, which extends up to one year, or by the facilities of the Export Credits Insurance Corporation, which are designed to finance credit terms of over five years.

In its operations, the Export Finance Corporation does not at any time deal directly with the exporter. Its function is rather that of providing re-finance to the sponsor bank with which the exporter normally deals, and with which he would discuss his financing requirements in this credit sector. The bank would have the option, on any accepted financing arrangement, of carrying the transaction on its own books or refinancing it through the Corporation.

Transactions may be financed by the Corporation in either Canadian or United States dollars, depending on the terms of payment agreed between buyer and seller, but it is a primary requirement that all export shipments so financed be covered by a policy issued by Export Credits Insurance Corporation.

3. Export Credits Insurance Corporation — The primary object in the formation of this Crown Corporation was the provision of insurance coverage to exporters against political risks, insolvency of the buyer or his failure to

pay for accepted goods, blockage of funds abroad, and other risks that cannot be covered by commercial insurance agencies. Such insurance which now normally covers up to 90 per cent of shipment value, will usually assist an exporter materially in obtaining export finance through banking channels.

Through the agency of the Corporation, exporters of capital goods and on credit terms of over five years may in approved cases obtain export government financing under Section 21A of the Export Credits Insurance Act. (The Export Credits Insurance Corporation and its facilities are covered fully later on.)

A risk inherent in export trade that sometimes escapes consideration is exchange fluctuation. When the exporter quotes on the basis of Canadian dollars, this risk falls naturally on the buyer, but when he quotes in a foreign currency, he is forced to incur the risk that the rate of conversion on which he based his contract price will not hold good until he receives payment. Should the exchange rate move against him in the interval, he could sustain a loss that might wipe out his trading profit. The remedy is simple. In any foreign sale the exporter knows the approximate date on which he may expect payment. He sells the expected proceeds to his bank under a forward contract at any time after the completion of the sales agreement, at a rate fixed at that time, undertaking to deliver the foreign currency to the bank at or about the anticipated payment date. He thus establishes the amount of Canadian funds he will receive from the bank at maturity of the contract, regardless of foreign exchange market fluctuations in the interim.

It will be apparent that on a pure credit analysis and ignoring other considerations, the trust factor implicit in methods of financing ranges from low in prepayment, through letter of credit, documentary bill, and consignment, in that order, to high in open-account operations. Other factors which a businessman must consider in exporting before deciding on the method to be used or the period of trade credit to be granted, if any, include the following:

1. The amount of the transaction. This must obviously bear a satisfactory relationship to the exporter's financial position or his access to outside financing and also to his total exposure with regard to a specific buyer or specific country.

2. The type of goods exported. Perishable goods would not justify credit terms that might reasonably be given on a shipment of heavy machinery and the average expected life of the product in wholesale and consumer channels must be taken into account.

3. The credit standing of the buyer. This is probably the most difficult factor to assess. In foreign sales the ordinary bank report, sufficient for domestic requirements, may not be adequate without corroborative evidence from other available sources, such as Canadian Government Trade Commissioners stationed in the area or country in which the buyer resides. Detailed credit information is not usually as widely available or as readily divulged in foreign countries as in North America, and although specific information should be requested, it must be borne in mind that in some countries the provision of

detailed information could be construed as a breach of confidence. Such reports should, in any event, be checked at regular intervals.

4. The economic situation in the country of import. The possibility of interference in the settlement of trade debts or devaluation of currency because of a worsening balance of payments must be taken into account.

5. Exchange and import controls in the country of import. Any tightening of existing regulations or imposition of new controls over imports, or allocation of foreign exchange for trade settlements, could easily result in delay in payment or even severe loss if not covered by an Export Credits Insurance policy. In some countries import licences and/or exchange permits are required and the exporter must ensure that the buyer holds these before the goods are shipped.

6. Credit terms granted by competitors. The terms granted must obviously be as liberal as those customary in the trade or those granted by competing firms, always provided that such terms are reasonable in the light of the other factors under consideration.

7. The financial condition of the exporter. Trade credit granted abroad will generally involve a longer period until liquidation than a similar domestic arrangement. The exporter must therefore have adequate financial strength to carry, or obtain financing for, the additional burden.

The information necessary for assessing these credit factors can readily be obtained from several sources, or a combination of them.

1. The Chartered Banks — Each of the chartered banks has over many years built up international or foreign departments staffed by specialists in international affairs, in the mechanics of international trade and financing, and in foreign exchange. These departments maintain relationships with banking correspondents in virtually every part of the world in which it is possible to transact business and from these correspondents they receive up-to-date reports on business, economic and political conditions and details of exchange and import control regulations. Extensive credit files on foreign firms are also maintained, with other information invaluable to the exporter. Through these correspondents the banks obtain by mail or cable (and at nominal cost) credit or other specific information which an exporter may need to assess a particular problem. Several of the chartered banks also operate branches and representative offices overseas. In our own bank, in addition, international representatives based in Toronto visit most foreign countries periodically as part of a regular program to check on current conditions and to make on-the-spot inquiries on behalf of the bank's customers engaged in foreign trade. All of the information and expertise of the international departments of the chartered banks is available through every branch of their branch systems.

2. Canadian Trade Commissioners — The Trade Commissioners stationed abroad have the advantage of intimate local knowledge, with access to local trade sources of credit information as well as through local banks. They are

also in an ideal position to locate and recommend possible agents.

3. The Local Agent — If a local agent has been appointed in the country of import this man may, if carefully selected, be of the utmost value to the exporter in assessing the creditworthiness of potential buyers. His usefulness extends beyond this point, however, because he can be made the "man of need" to whom a local bank may refer when difficulties arise in the collection of documentary bills. Basically the agent's function is limited to discussion with the buyers and the exporter may find this limited authority effective enough in obtaining payment of overdue accounts should the agent's commission be paid out of the proceeds of the shipment on final payment. Should his standing with the exporter justify additional scope—and any such powers as may be delegated to him by the exporter must be specifically notified to the bank handling the collection—he may be given authority to initiate legal action against a defaulting buyer, negotiate a revised settlement with the buyer, or arrange sale to an alternative buyer.

4. Other Sources — The exporter should not overlook the services provided in Canada by the various trade associations connected with export trade. Through these, he may acquire from other suppliers information on past credit performance of foreign firms. In some foreign countries there are reputable commercial credit agencies that may also be employed, although their services may prove expensive by Canadian standards.

It will be apparent to the new exporter and to those who are only now considering entering the export field that there are many risks involved not found in domestic trading. Although the decision about whether he should or should not export must in the end be that of the individual exporter, there are many agencies from which the information necessary to avoid such risks and to reach a decision may be readily obtained. The Canadian chartered banks have traditionally financed a major portion of Canadian foreign trade, and the benefits of their experience over a century of foreign trade service are as close to you as your own branch bank. The banks can and will introduce you to all of the available sources. Why not ask them?



Marine Insurance and the Exporter

R. S. HENDERSON, M.I. Ex., R. S. Henderson & Company Ltd.

MARINE INSURANCE is essential to the financing of export sales and every care must be exercised in the preparation of the policy. The terms or insuring conditions, amount, and so on are governed by the sales contract, letter of credit, or custom.

An exporter's c.i.f. quotation to his customer should stipulate the terms of the marine insurance that he will furnish. This is necessary so that, in the first place, there will be no misunderstanding between the seller and his customer; second, to give the exporter the protection he needs until risk and title pass to the buyer, and third, to give the buyer an opportunity to order broader terms at his expense if he or his banker considers this necessary.

Under a *true* c.i.f. (port of destination) sale, the exporter is at risk until the goods are placed aboard the vessel at port of lading, after which the buyer is at risk although title may not necessarily have passed to him. The policy the exporter furnishes protects him in accordance with its terms while he is at risk, and thereafter it protects the buyer.

It is important to know and remember that although a marine insurance policy is assignable without permission of the underwriter, it can only be assigned while the assured (exporter) has an interest in the subject matter insured, unless beforehand he has expressly or by implication agreed to

assign it. It is not unusual to find an exporter who has sold on open account holding the insurance policy until his invoice has been paid, in the belief that if the goods are damaged, he has some protection for the debt owing him. To do so on a c.i.f. sale probably has the effect of making the exporter responsible for delivery, thus destroying the character of the c.i.f. contract. At the worst, when the sale is made under a letter of credit there is an incomplete tender of documents and payment can and may be refused.

The exporter should endorse the policy at the time and in the same manner as he does the document of title (bill of lading). Insurable interest in and title to the goods will pass to the buyer simultaneously.

To the manufacturer or merchant in the export field the procuring of marine insurance is no mystery, although its terms may be. The insurance premium will depend on many factors—the commodity, its packing, the class of vessel carrying it to port of discharge, the final destination and, of course, the terms or conditions of the policy.

Preferably, the exporter should consult a broker or agent who is thoroughly competent. Marine insurance rates are not regulated by so-called Tariff Associations or Conferences, but the experienced intermediary will select a suitable company and secure a fair rate. With an increasing volume of exports and a favourable loss experience, the exporter will find that rates will be reduced and his costs will be less. Marine underwriters are as anxious as the exporter is to see that merchandise is delivered in sound condition, because this benefits everyone. The exporter's cost is lower, the underwriter makes a small profit, and the buyer is content. To this end, the packing employed can be one of the most important factors and some insurance companies maintain a staff of experts in this field to help with the problem.

Turning now to the question of what perils should be insured against, we must first examine the sales contract. In making his quotation (c.i.f. port of discharge) the exporter will or should specify the terms of coverage he will furnish for the price asked. Next, he must look for variations of these terms in the acceptance or letter of credit if there is one. Should an extension of terms be required, any extra cost is for account of the buyer. It is essential that the policy provided state in the same words what is called for in the letter of credit. With this in mind, as soon as the exporter receives advice of the opening of the credit, he should consult his broker or agent and determine whether a policy can be written in the terms required. Quite often the foreign buyer or his banker uses expressions which are meaningless and it is vital to the seller's economic wellbeing that amendments be made before the credit expires. Too often the exporter leaves consideration of the marine insurance until the day before the documents must be presented to the bank. Should a million-dollar sale be jeopardized through a fall in the market price, he may wish he had paid attention to detail.

For the regular exporter, the open policy is the usual and most satisfactory contract between him and his underwriter. It is a contract under which the exporter agrees to declare every shipment sold on c.i.f. terms and

those which the buyers have instructed him to insure. The underwriter in turn agrees to accept all such declarations and to issue a policy or certificate for each as the assured requires.

The open policy contains all the conditions of the insurance, including a valuation clause setting out the formula to be followed in arriving at the amount to be written. Often the goods are on the way to seaboard or actually aboard the ship before all the charges are known for the calculation of the insured value. If a loss occurs before the individual policy is issued, the liability of the underwriter is defined.

Because marine insurance as we know it had its greatest development in England, beginning early in the fourteenth century, the standard form of English marine policy is employed as the basic contract. There has been little variation for 200 years and although the wording may appear archaic, the meaning has been defined by the Courts and codified by statute. The following provinces of Canada have passed Marine Insurance Acts identical with the Marine Insurance Act 1906 Great Britain—first, British Columbia in 1926, followed by Nova Scotia 1941, New Brunswick 1943, Manitoba 1945, and Ontario 1946.

In Quebec, provisions respecting marine insurance are contained in the Civil Code, Articles 2470, 2479, 2482, and 2492-2567. These are special conditions in the Civil Code which are similar to English law. Any differences are not substantial. In general, in the absence of Quebec statutory authority, one must fall back on English Common Law.

The basic form is amended by clauses or endorsements which alter its scope according to the needs of the assured. First in importance is the "Free of Capture and Seizure" clause which "takes out" the risks of war. These are put back in and defined by special wordings, to which can be added cover against the risks of "strikes, riots and civil commotions and damage caused by persons acting maliciously."

Each commodity has its special need for cover: liquids in bulk—leakage and contamination; machinery, stoves and refrigerators—breakage; flour to the West Indies where lighterage is necessary and tropical rains are sudden—fresh water damage; canned goods out of East Coast ports via the Panama Canal to West Coast ports or vice versa—ship's sweat. All these are additional to the cover provided by the basic marine policy. Each open policy must be prepared according to the needs of the exporter.

It is difficult to discuss marine insurance without bringing technicalities into it; nevertheless, there are many inflexible rules. Some explanation of the terms Particular Average, General Average, Inherent Vice, and Sue and Labour Expenses may help the exporter to understand his policy a little better.

The purpose of the marine policy is to indemnify the assured for loss or damage caused by perils insured against. The manner in which the indemnity is fixed is set out in the Provincial Acts referred to previously. Briefly, the assured is entitled to the same proportion of the sum insured as the goods

are found to have depreciated. The depreciation is determined (in the absence of mutual agreement) by comparison of the gross sound and damaged duty-paid values at the place of arrival.

A Particular Average loss is a partial loss of the subject matter insured, caused by a peril insured against, and which is not a General Average loss. The following examples of the adjustment of Particular Average losses will illustrate the principle and demonstrate the effect of rising and falling markets.

An exporter sells 100 bags of flour c.i.f. Liverpool for \$500 and furnishes a policy for \$550. Upon arrival the flour is found to have been damaged by perils insured against, and cannot be used for the purpose for which it was bought. It is sold at public auction, with all charges payable by the seller, for \$400 gross.

Upon arrival, the gross wholesale price of flour was \$10 per bag. Therefore the value of 100 bags in sound condition was \$1,000. In damaged condition it sold for \$400 and the buyer lost \$600, or 60 per cent of its value. The policy pays 60 per cent of the insured value or \$330, so the buyer receives \$400 from the sale and \$330 from his underwriter, or \$730 against a c.i.f. price of \$500. That looks like a good profit, but it must be remembered the buyer would have made a profit of \$500 had the flour arrived sound.

But suppose that, upon arrival, the sound market value (duty paid) has dropped to \$4.00 per bag and because of damage the flour sold for \$1.60 per bag. This shipment has been damaged to exactly the same extent as the one above, 60 per cent. The assured recovers 60 per cent of the insured value or \$330 and adding the proceeds of sale, \$160, his total is \$490. Had the flour arrived in sound condition, he would have sold it for \$400 for a loss of \$100.

The adjustment of both claims was governed by the same principle—the policy pays the same percentage of the sum insured as the goods are found to have depreciated, without any consideration being given to market fluctuations.

It is not proper for the underwriter to settle for the difference between the insured value and the net proceeds of sale, although many companies present their claims in this manner. An adjustment such as this is called “Salvage Loss” and is only permissible when the goods are damaged and have to be sold before arrival at destination.

The coverage afforded upon an open policy attaches from the time goods leave the warehouse at point of origin and continues in due course of transit until the goods are delivered into final warehouse.

The marine extension clauses that replace the warehouse-to-warehouse clause provide for continuity of coverage, if there is no interruption or suspension of the ordinary course of transit within the control of the insured. Thus, if either shipper or buyer elects to interfere with the ordinary transit by, say, delaying the shipment by holding it for the next vessel, the due course of transit has been interrupted and insurance terminates immediately.

It is a simple matter to arrange for the continuance of insurance if the underwriter is given prior notice and an additional premium, if required, is agreed upon.

Should the shipment be delayed in transit for reasons beyond the control of shipper or buyer, insurance does not terminate.

The main exception to these general provisions of the marine extension clauses concerns shipments to South America. After discharge from the overseas vessel at a South American port, insurance continues for sixty days (or ninety days if via the Magdalena River) or until delivered into warehouse at final destination, whichever shall first occur. As distinct from shipments to other destinations, insurance after discharge from the overseas vessel is not terminated when the ordinary course of transit is interrupted for reasons within the control of the assured.

Another of the terms used in marine insurance is "General Average".

A General Average act occurs where "any extraordinary sacrifice or expenditure is voluntarily and reasonably made or incurred in time of peril for the purpose of preserving the property imperilled in the common adventure" and a General Average loss is one caused by or directly consequent upon a General Average act.

A ship laden with cargo is on her voyage when fire breaks out in cargo, say in No. 2 hold. Steam and/or water is introduced into that hold and this saves the ship and the remaining cargo, but destroys or damages the cargo in No. 2 hold. The cargo unaffected by fire and smoke but damaged or destroyed by steam and/or water is sacrificed to preserve the ship and cargo imperilled in the common adventure. The owners of the cargo sacrificed are thus entitled to claim their loss from those who benefited. For this reason, the party at risk when the cargo is safely landed (the buyer under a c.i.f. contract) is required to put up cash or an underwriter's guarantee to secure payment of the proper proportion of the cost of the sacrifice.

In the foregoing example there are several kinds of losses. The cargo damaged or destroyed by water gives rise to a claim for a General Average loss—that is, one caused by or directly consequent upon a General Average act. The damage from fire and smoke is Particular Average or a Total Loss directly caused by perils insured against. Undamaged cargo must pay its rateable proportion of G.A. contribution to reimburse the owners of cargo sacrificed, and the latter must also pay G.A. contribution on the amount made good by the contributions of others.

The value on which cargo will be assessed is called its Contributory Value. In order that all shall contribute uniformly, this value is usually the wholesale market value at port of safe arrival and discharge, less duty and landing charges—that is, its worth in the condition landed, less all charges which would not have been incurred if the ship had failed to arrive. As the policy will pay G.A. contribution in full if the insured value equals or exceeds the contributory, it is essential that the goods be insured for more

diately unpack the cans and dry and buff them, otherwise the pitting and rusting will soon destroy them all. The cost of this and of relabelling are Sue and Labour expenses which are recoverable in full. But suppose such action, reasonable and prudent as it seemed at the time, failed to save the cans and all or most became a total loss. The expense is nevertheless recoverable as well as the loss of or damage to the interest insured. What is prudent and reasonable can be determined by agreement with the underwriter's representative before the work is undertaken. If no representative is available, the assured is not excused from taking appropriate action immediately. As the Sue and Labour clause says: "It shall be lawful (i.e., a legal duty) to the Assured, their Factors, Servants and Assigns, to sue, labour, and travel for, in and about the Defence, Safeguard and Recovery of the said subject matter of Assurance without Prejudice to this Assurance—". It may sound archaic but its meaning is clearly defined.

A similar yet slightly different case from "Gee & Garnham v. Whittall" (see section on "Inherent Vice") was heard before Mr. Justice Sellers in October 1955, "F. W. Berk & Co. Ltd. v. Style".

The plaintiffs bought a quantity of kieselguhr to be shipped in paper bags from Mostaganem to London and insured with underwriters in London on the same terms as Gee & Garnham v. Whittall.

Upon arrival, the cargo was discharged into lighters for the purpose of landing but before this could be done much of the interest insured had to be rebagged because the seams of the original bags had opened for lack of or absence of sufficient adhesive. The plaintiffs sought to recover the cost of rebagging under the Sue and Labour clause:

"HELD, that the subject-matter insured was kieselguhr packed in paper bags and that the bags were defective on shipment and inadequate to endure the normal wear and tear of handling and carriage; that the special expenditure incurred in rebagging while in the lighter was due to the inherent vice of the bags; and that the words 'all risks of loss and/or damage from whatsoever cause arising, restricted as they were by Clause 6 of the Institute Cargo Clauses (War-time Extension)':

'This insurance shall in no case be deemed to extend to cover loss damage or expense proximately caused by delay or inherent vice or nature of the subject-matter insured.' did not extend to include the expenses of rebagging, etc., incurred by plaintiffs and were accordingly not recoverable as sue and labour charges; further, that the expense incurred was not recoverable under the sue and labour clause as an insurance policy covered a risk, not a certainty, and in this case it was certain that the bags in the condition in which they were on shipment could not safely have held their contents in the course of necessary handling and transport. Claim dismissed."

In the course of the trial, counsel for the plaintiffs argued that because the policy covered "kieselguhr in bags" any weakness of the bags was not "inherent vice" of the subject matter insured. However, although there was

no damage to the kieselguhr, Mr. Justice Sellers found the expense incurred was due to inherent vice and not a peril insured against.

Not too far from the point settled by this case is the question of whether or not the containers are insured. Flour shipped to the West Indies (particularly from the U.S.) is packed in cotton bags of attractive design because they are sold when empty to residents who make aprons or dresses. Therefore a bag which has been hook-holed loses much of its value. Agree beforehand with your underwriter on the value of the bags and the terms of cover.

The risks of war and strikes, as mentioned before, are insured by special wording added to the policy. Each is covered by a separate set of clauses.

The coverage afforded under the war clauses does not attach before loading on board the overseas vessel and terminates upon discharge from the overseas vessel at final port. When cargo is not discharged immediately, it terminates after the expiry of 15 days from the date of arrival of the overseas vessel at final port. The lack of coverage on land is of particular importance to those buying goods abroad. Whenever possible, they should leave this uninsurable risk with the seller by purchasing "f.o.b. vessel" or "c. & f. port of destination" rather than "ex works".

Space does not permit a discussion of the provisions pertaining to trans-shipment, forced discharge or other conditions of these clauses, or of the special clauses used for "sendings by air" and "sendings by post". Any broker or agent can give details.

The strike clauses cover theft or pilferage by, or other loss of or damage to, the property insured caused by strikers, locked-out workmen, or persons taking part in labour disturbances, riots or civil commotions. In addition, they cover destruction of or damage to the property insured by persons acting maliciously. These are primarily "on land" risks and the clauses cover from warehouse to warehouse.

Cargo owners who are aware of the continuous strikes, etc., hazard normally insure against those risks as they do against war risks. It is not recommended that war risks insurance be excluded in view of the need for cover should there be an outbreak of war with little or no warning. The additional premium is a very small one.

It is appropriate to mention here that insurance is available against "strikes diversion expenses".

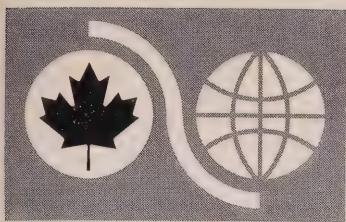
Under the bill of lading, the shipowner has the privilege of proceeding to another port to discharge if the port named in the bill of lading is strike-bound. Upon discharge the shipowner is free of further responsibility and the goods are at the risk of the assured and all expense of returning them to the original destination (including warehousing, etc., at the port awaiting reshipment) is for his account. The premium is calculated on the amount declared for marine insurance and underwriters' liability is limited to 20 per cent of such value. There are limitations to this cover so consult your agent or broker.

Though under the c.i.f. contract of sale it is the buyer's responsibility to make claim against underwriters or stand any losses not recoverable, it is desirable to know the procedure to be followed. The policy will instruct the holder to notify the appointed representative of the insurance company for survey of the damaged goods or, if there is no representative, to call in Lloyd's agent or surveyor to the Board of Underwriters of New York. The request for survey must be prompt. The delivering carrier must be notified and a claim lodged within the time limit set in the bill of lading, in order to preserve for underwriters their rights under subrogation. The following documents make up the full complement.

- (1) Survey report.
- (2) Shipper's invoice.
- (3) Copy of bill of lading.
- (4) Original or negotiable copy of policy properly endorsed.
- (5) Copy of claim against carriers and their replies.

The broker or agent should prepare the claim according to the law and practice governing the adjustment of marine claims and effect collection for the exporter or his customer.

Certain countries prohibit c.i.f. buying, thus compelling the Canadian exporter to sell c. & f. port of destination, or else to keep title and risk until delivery has been made to the final warehouse. The writer believes that most Canadians adopt the c. & f. type of sale after first securing themselves against loss by means of the irrevocable letter of credit. If the terms of payment are documents on acceptance or documents on payment or open credit, it is advisable to insure the goods. Such insurance is for account of the exporter only and only pays for loss or damage from perils insured against if the buyer has refused to pay his account. Upon any such payment, the underwriter is subrogated to the exporter's rights to recover from the buyer to the extent of the amount paid out under the policy. This can be particularly valuable to the exporter whose customer has refused payment because the goods were lost or arrived badly damaged.



Obtaining Export Credits Insurance

J. A. STRANG, Information Department, Export Credits Insurance Corporation.

EXPORT CREDITS INSURANCE is a vital part of any foreign trade enterprise and is available to exporters in all the major exporting countries. Its purpose is to protect against non-payment of foreign accounts for reasons that are beyond the control of either the buyer or the seller, and arising from the credit and political risks inherent in foreign trade.

Canadian exporters are provided with this low-cost insurance through the Export Credits Insurance Corporation, which began operations in 1945. It is a non-profit organization, administered along commercial lines and operating on as close to a break-even basis as possible. It is equipped to help any resident person or corporation exporting Canadian goods from Canada, whether these are consumer or capital goods, engineering or other technical services, and whether the exporter's sales run to only a few hundred dollars a year or into millions.

Although a major portion of the world's export trade is handled on irrevocable letter of credit, more and more frequently an exporter must, in the buyer's market of today, be prepared to meet intensified competition on credit terms. An exporter who refuses to extend credit will lose business, no matter how superior his product may be.

Extending credit always involves risk and this is particularly true of

export trade, where it is more difficult to know buyers well or to be conversant with foreign trading conditions and customs. There are, of course, international reporting agencies that will supply an exporter with information on the creditworthiness of a prospective buyer. But in export trade, in addition to the credit risks, there are political risks over which neither the seller nor the buyer has any control. Blockage of funds, cancellation of import or export licences, sudden changes in regulations, war or revolution in the buyer's country, can no more be foreseen than death, business depression, strikes or other calamities, but they all contribute to the buyer's inability to discharge his obligations.

The case for export credits insurance is that by reducing the element of risk in the granting of credit to buyers abroad it lubricates the credit system, which is of the very essence of trade and prosperity. The cover provided protects the insured's profit-and-loss account and also prevents his working capital from becoming tied up in long-overdue accounts. Thus it makes possible a larger turnover of business on a given amount of working capital.

It is not intended to subsidize exporters. Canadian firms still have to compete in the export markets of the world on the basis of quality, price, credit terms, service, etc. However, export credits insurance places them in a competitive position with exporters in other countries who have access to similar insurance.

Export credits insurance not only gives protection against credit and political risks involved in foreign trade, but also helps the exporter in his financing because by insuring his foreign accounts he is a better risk to his banker.

Extending credit involves the exporter in the necessity of financing both as a borrower and as a lender. He must provide the working capital necessary to buy raw materials and maintain his inventory and he must finance his foreign credit buyer. Thus financing export trade is one of the ever-present problems confronting exporters.

As a general rule the Canadian exporter meets his credit requirements by arranging financing through a Canadian chartered bank, which takes his foreign accounts receivable as collateral. If these foreign accounts receivable are backed by export credits insurance, the exporter's ability to obtain credit is increased. ECIC will pay him if his foreign buyer becomes insolvent or defaults in payment or if exchange transfer difficulties prevent him from paying.

To facilitate financing, ECIC will agree to pay to any Canadian chartered bank the proceeds of any loss payments under the policy. The exporter may either assign an individual bill to his bank or he may make a blanket assignment of all his foreign accounts receivable.

ECIC is also authorized to provide unconditional guarantees to banks in cases where insured Canadian exporters have sold capital equipment on medium-term credit. The Insurance Policy will provide cover to the exporter during the production period of the goods, but once the buyer has accepted

the goods the unconditional guarantee to the bank will go into effect, thus enabling the bank to finance the exporter on a non-recourse basis.

Export credits insurance covers those risks of loss that are beyond the control of either buyer or seller, but not those that can be and normally are insured with commercial insurers.

The main risks against which ECIC insures are:

- Insolvency of the buyer.
- Failure of the buyer to pay the exporter, within six months after due date, the gross invoice value of the goods.
- Repudiation by the buyer, where such repudiation does not result from breach of contract by the exporter and where proceedings against the buyer would serve no useful purpose.
- Blockage of funds or transfer difficulties that prevent the exporter from receiving payment.
- War or revolution in the buyer's country.
- Cancellation or non-renewal of an export or import permit and the imposition of restrictions on the export or import of goods not previously subject to restriction.
- Any other cause beyond the control of the exporter or the buyer which arises from events occurring outside Canada and the continental United States.

It should be noted that export credits insurance does not cover loss of or damage to goods or deterioration of perishable goods. Nor does it cover trade disputes. ECIC cannot accept the task of acting as arbitrator between the exporter and buyer about the quality or quantity of goods delivered.

ECIC accepts risks in all countries where the buyer, under the laws of the country, can pay for goods in Canadian or U.S. dollars or in sterling. One of the prerequisites for insurance is that at the time the exporter accepts the order, the buyer must have been able under the import and exchange regulations of his country to import and pay for the goods. If before the due date of payment the buyer's country puts through some law, order, decree, or regulation that prevents the transfer of the necessary currency, ECIC will pay the exporter its share of the loss. Although partial or full recovery is often made eventually where blockages of funds occur, transfer difficulties can hamper the exporter as seriously as an outright loss. With export credits insurance, the exporter can liquidate his foreign accounts receivable, recoup his working capital, and continue to expand his business.

One of the fundamental principles of insurance is that there be a broad spread of risk. As a general rule, ECIC requires an exporter to insure his exports to all countries, excluding those sales made against irrevocable letters of credit or paid for in advance, and those made to buyers in the United States. ECIC will generally not insure sales to the United States because insurance for that market is obtainable from commercial sources.

Requests for the exclusion of certain countries will be considered, pro-

vided those remaining to be insured offer ECIC a sufficient spread of risk. But country selection can be costly. Some of ECIC's first political risk losses were in countries that some exporters had requested be excluded from their Policies because they felt they presented no risk. It has been ECIC's experience that there is a real risk of loss on shipments to any country in the world.

A fundamental principle of export credits insurance is that of co-insurance: the insured bears part of the risk. ECIC normally pays up to 90 per cent of the amount of any loss under the terms and conditions of the exporter's Policy and the exporter bears the remaining 10 per cent. In this way an exporter retains an interest in the account and the indiscriminate or reckless extension of credit is restricted.

The co-insurance proportion may vary in particular circumstances but the maximum is 90 per cent. Any recoveries made after payment of a loss are divided between ECIC and the exporter in the same proportions in which the loss was shared.

Export credits insurance is available to cover the following main classes of business:

- Consumer goods and miscellaneous general commodities sold on terms usual for the trade and which normally extend from documentary sight draft to a maximum of about 180 days.
- Capital goods sold on medium credit terms extending to a maximum of five years.
- Goods shipped abroad on consignment for sale or for exhibition purposes.
- Engineering, construction, technical, and similar services.

By far the largest part of the day-to-day business of ECIC concerns goods sold on short-term credit. For this type of business, ECIC issues a blanket Policy which covers an exporter's credit sales to all markets for one year. Within the terms and conditions set out in the Policy, the insured receives automatic cover for all export sales made during its currency.

An exporter applying for export credits insurance submits an application which is in reality a request for a quotation of premium rates and creates no obligation on his part to take out a Policy. In the application he sets forth the export sales he hopes to make during the subsequent twelve-month period in total by country, and the usual and maximum credit terms for each country. ECIC sends him a letter of quotation giving the premium rate for each country listed in the application and outlining the terms and conditions under which it will insure.

After he receives the letter of quotation, the exporter is free to decide whether or not he wishes to use the facilities offered. If he accepts the quotation, he pays a deposit of approximately 10 per cent of the estimated premium for the year. This deposit is refunded when the Policy expires or is carried forward if it is renewed.

If during the life of a Policy new markets develop in countries not covered by it, these are added by endorsement.

ECIC does not wish to interfere with an exporter's normal business and accordingly sets a maximum amount in each Policy applicable to any buyer in any country covered by the Policy. The exporter may extend credit up to this amount without reference to ECIC, provided that he either has previously had favourable credit experience with the buyer or has obtained two up-to-date credit reports from independent and reliable sources that justify his extending credit.

If the exporter wishes to extend credit to an amount greater than that set out in the Policy, he then applies to ECIC for approval.

The method of paying premiums is simple. Before the tenth day of each month the exporter makes a declaration of the total value of shipments by country made during the previous month. He then calculates the premium at the rates set out in the Policy and sends his payment to ECIC with the declaration. He pays only for the use he makes of the Policy; if he ships nothing during the course of a month or a year, he pays nothing.

It is the aim of ECIC to provide insurance at cost. Premiums are charged at rates that in the long run, it is hoped, will just meet ECIC's operating expenses and net claims.

It is impossible to indicate even generally what the rate per country might be for any particular exporter. Each has his own markets, credit terms, and particular problems and difficulties and all must be considered in setting the rates. The premiums are based on the class or type of goods, the countries to which goods are shipped, the credit terms required, the volume of the exporter's annual sales, the spread of risk afforded ECIC, and many other factors. Until ECIC receives an application supplying all these particulars, premium rates are impossible to predict.

However, the average premium rates for consumer goods Policies is less than one half of one per cent of the invoice value of the goods. Premiums paid are allowable as proper deductions in determining the exporter's taxable income.

There are two types of consumer goods Policies. They differ only in the time at which protection begins:

- A Contracts Policy protects an exporter from the time he receives an order until he is paid.
- A Shipments Policy protects him from the date of shipment only.

Both Policies cover exactly the same risks. The Contracts Policy is designed for the exporter who manufactures goods to particular specifications or goods so marked or stamped that they are of no value except to the original buyer. If an exporter does not need to protect himself against the risk of loss before shipment, he should then take out a Shipments Policy.

Capital goods Policies are issued to cover individual sales of goods such as plant equipment, locomotives, ships, heavy machinery, etc., where terms

of payment may extend from one year or so to a maximum of five years. Each contract of sale is covered by a specific Policy. The risks covered are substantially the same as those covered by consumer goods Policies.

Before issuing a capital goods Policy, ECIC must consider not only the nature of the equipment being sold and the financial standing of the foreign buyer, but also current conditions and the long-range economic outlook in the importing country. When selling capital goods, therefore, an exporter should approach ECIC as early as possible during his negotiations with the foreign buyer.

Policies are issued either on a specific contract or on a whole turnover basis to cover engineering, construction, technical, or similar services contracts entered into between Canadian firms and persons in foreign countries.

The fact that a Policy of insurance exists between ECIC and a Canadian exporter is strictly confidential. In making his application, the exporter agrees that he will not discuss the Policy or any of its details with any person or company, except in confidence with his bankers.

ECIC covers losses arising from events which occur outside the control of the exporter and the buyer.

Losses are paid in accordance with the conditions set out in the Policy—very broadly as follows:

- *Insolvency*: immediately after the insolvency occurs.
- *Default*: six months after the due date of payment if by that time the debtor's insolvency has not been established.
- *Repudiation*: one month after the amount of the loss has been established.
- *Foreign exchange transfer difficulties*: four months after the due date of payment of the debt.
- *All other risks*: four months after the occurrence of the event which causes the loss.

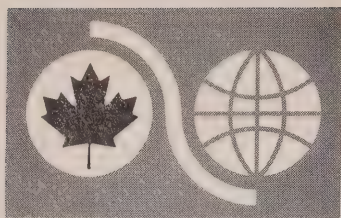
The successful operation of any policy depends upon co-operation between the policyholder and ECIC. It is essential in the interest of both parties that the assistance of ECIC should be sought at the earliest possible stage of any potential loss. For this reason, an exporter is required under a Policy to take all due care to minimize loss and to notify ECIC as soon as practicable of the occurrence of any event likely to cause a loss. Policyholders report to ECIC all accounts which become 90 days or more overdue. This procedure has been very successful in minimizing or preventing losses.

ECIC works closely with the Department of Trade and Commerce and other government departments interested in the expansion of Canada's foreign trade, and with such export-oriented, non-government organizations as the Canadian Export Association, the Canadian Manufacturers' Association, and the Export Finance Corporation of Canada, Ltd. In addition, ECIC has an Advisory Council made up of outstanding Canadians representing agriculture, banking, fisheries, forest industries, light and heavy manufacturing, and engineering and construction services, who advise on all matters relative

to its administration. ECIC facilities are constantly under review and as new conditions develop in international trade, ECIC is geared to meet them.

ECIC is a member of the Union d'Assureurs des Credits Internationaux, known as the Berne Union, an international association of export credits insurers. The Union provides a medium for the exchange among its members of authentic information on credit terms current in international trade. At its meetings the twenty member countries, representing the majority of the large trading nations of the world, review in detail the results of their operations and discuss the general economic outlook in various importing countries. Through its membership in the Union, ECIC ensures that its services to the Canadian exporter equal those available to any other exporter in the world.

Further information on export credits insurance may be obtained by writing to ECIC (P.O. Box 655, Ottawa), or by contacting its branches in Montreal and Toronto. Information may also be obtained in St. John's, Halifax, Montreal, Winnipeg, Edmonton, or Vancouver through the Regional Offices of the Department of Trade and Commerce in those cities.



ECIC Offers Long-Term Export Financing

J. A. STRANG, Information Department, Export Credits Insurance Corporation.

GOVERNMENT long-term export financing was introduced in Canada in 1960. It is a program designed to promote exports of capital goods involving credit terms extending beyond five years. It provides a facility enabling Canadian manufacturers to compete in international markets by offering credit terms equal to those offered by their foreign competitors.

The Federal Government charged the Export Credits Insurance Corporation with the responsibility of administering this program under Section 21A of the Export Credits Insurance Act.

Long-term export financing is offered to assist Canadian exporters to match the credit terms that their foreign competitors offer. There is no intention, however, that the facilities should be used to initiate an international credit race by allowing Canadian exporters to capture orders by outbidding foreign competitors on credit terms. An assessment of what terms are necessary and justifiable is based on the earning and amortization possibilities of the project, the ability of the buyer and of the buying country to repay, the amount of credit involved, the durability of the equipment being sold, and the terms offered by foreign lenders on that or similar projects.

The pattern of terms that has developed is a total credit period of seven to twenty years, including periods of grace on principal repayments consis-

tent with the time required for manufacture, installation, and start-up of the project.

A summary of ECIC's experience provides some indication of the success of the program. Since the first Financing Agreement was signed on August 8, 1961, to June 30, 1966, ECIC has concluded 35 Agreements covering transactions with a total value of \$284 million in 13 countries. More than 1,000 firms from all parts of Canada have supplied goods and equipment to fill these orders and the direct man-hours of employment created have been estimated at close to 50 million.

Among less tangible but equally important successes are the invaluable opportunities to increase the experience and technical competence of Canadian engineers and designers, the growing recognition of Canada as a major supplier of capital goods and services, and the goodwill Canada is gaining in areas which provide new potential for increasing foreign trade not only in capital goods but in consumer goods as well. Furthermore, exporters have demonstrated both resourcefulness and efficiency in co-operating to reduce reliance on imported components by developing Canadian sources of supply.

In the six years of operation, experience has proved that the basic principles adopted by ECIC and governing the application of long-term financing to export transactions are sound—that is, that the credit terms requested be clearly necessary and justifiable, that only capital goods and related services be eligible, that the sale have industrial and employment benefits for Canada, and that the project be a sound one in a creditworthy country. However, ECIC is sensitive to the necessity of adapting to the real needs of Canadian exporters. Changes in the administration of Section 21A financing announced in October 1965 demonstrate that this is a flexible program ready to meet developments in foreign trade as they occur. These changes originated from the experience ECIC had already gained and out of recognition that the requirements of 1966 differ from those of 1960. It has therefore become necessary to redefine some of the terms—in particular to adopt a broader definition of what constitutes "capital goods", and to lower the minimum value of transactions qualifying for financing.

By redefining the criteria that determine the eligibility of a transaction for long-term financing, the facility has been placed on a broader base to permit greater participation by Canadian producers. This article is directed principally to producers who are not aware of, or who are not sufficiently well informed on, the facility as it exists today.

The criteria that determine the eligibility of transactions for long-term export financing are generally broad. They are repeated here, together with a brief explanation of the way in which they are interpreted in relation to applications for financing.

● **Goods and Services Eligible**—Section 21A financing is available to support the export sale of capital goods which, in the broadest sense, means investment goods constituting part of plant or fixed assets, as opposed to consumer goods or industrial materials which are transformed in the pro-

Long-Term Export Financing Made These Sales Possible

Nuclear Power Plant, West Pakistan — A \$48.1 million loan will finance materials and equipment for and construction of a nuclear power generating station in West Pakistan. The 137,000-kilowatt plant will be the first of its kind in Pakistan.

Aeronautical Wind Tunnel, India — The National Aeronautical Laboratory will use a \$4.2 million loan to finance the purchase of an aeronautical research wind tunnel. Two Canadian companies have designed and are building the installation.

Telephone Equipment, Philippines — The Philippines Long Distance Telephone Company, Manila, is buying \$13.5 million worth of central office switching equipment, branch exchange units and radio carrier equipment.

Power Generation and Transmission Equipment, India — The \$8 million sale includes hydraulic turbines, generators, switchgear and associated equipment to be installed in a power plant at the Kota Dam on the Chambal River.

Steel Rails and Track Accessories, Mexico — To provide 22,000 tons of steel rails and accessories for Ferrocarril del Pacifico, a government railway. The contract is worth \$3 million.

Communications Equipment, Engineering Services, United Arab Republic — A \$3.8 million loan will help to expand communications services and facilities in the Nile Valley. The buyer is The General Egyptian Organization for Cinema and Broadcast Engineering. Television, radio and microwave equipment is included.

Nuclear Power Station, India — Equipment, materials and services for a 200,000-kilowatt nuclear power station at Rana Pratap Sagar, Rajasthan State. The \$37 million project is modelled on Canada's Douglas Point power station.

Telephone Equipment, Israel — Central office and associated equipment of the Strowger automatic type will be used to install 16,400 automatic telephone lines and 18,500 terminals by the Israeli Ministry of Posts. The \$2.3 million project is designed to serve Haifa, Ibn-Gevirol and Ahuza.

Heavy Electrical Equipment, East Pakistan — Diesel and steam electric power generating and transmission equipment is included in the \$5.3 million sale. This is in addition to a previous loan of \$6 million to the East Pakistan Water and Power Development Authority.

Services and Equipment, Taiwan — To build and to provide training at a lumber, plywood, and furniture component manufacturing complex for the Vocational Assistance Commission for Retired Servicemen. The \$5 million sale is the first of its type in Taiwan.

Zinc Smelter, Sulphuric Acid Plant, India — A zinc smelter and associated sulphuric acid plant will be erected near Cochin, Kerala State. The loan of \$1.6 million will cover part of the foreign exchange cost of the \$12 million project.

Steel Rails, Mexico — The Mexican National Railways has placed a \$10 million order for steel rails and track accessories. The order is part of a continuing railroad rehabilitation project.

Capital Projects, India — Engineering services and power plant and substation equipment are covered by an \$8 million loan. A further \$1 million is for the expansion of an aluminum smelter and the construction of a foil mill.

Engineering Services, Pulp and Paper Machinery, Mexico — To help modify and diversify the existing newsprint and book paper production facilities of a paper mill at Tuxtepec. The \$2.97 million loan was made to Fabricas de Papel Tuxtepec, S.A., Mexico City.

duction process. Capital goods of this description retain their identity and have a prolonged useful life which ordinarily should be at least as long as the credit period involved in the sale. This would not preclude the inclusion of otherwise non-eligible items where they form an essential part of a project which is being financed under the Act. Project engineering and other services associated with the specific sale of a substantial amount of Canadian capital equipment may also be covered under long-term financing. Where a Canadian firm can obtain a contract for part of a project which is mainly financed by a foreign lender, support under Section 21A may be made available for those goods and services supplied from Canada.

- **Minimum Value**—The transaction would normally be of substantial value, at least \$1 million. Exceptions may be considered in special circumstances; for example, to enable a Canadian supplier to participate on equal terms in the field of his specialization in developments abroad involving long-term financing.

- **Creditworthiness of Buyer**—The foreign buyer must have a satisfactory credit standing in a creditworthy country. ECIC must be satisfied that the buyer will be able to meet his repayment obligations. The importing country must be economically and politically stable enough to meet the foreign debt obligation in dollars. Where the transaction is not directly with the Government of the borrowing country, there must be a satisfactory guarantee of payment of principal and interest and of the availability of the foreign exchange necessary to service the debt.

- **Soundness of Project**—The applicant for the credit must submit information sufficiently complete to establish the technical and economic soundness of the project. In most instances, this means that evidence must be offered in the form of engineering studies to establish the technical soundness of the project as well as supporting economic and financial data to establish its viability with the priority requirements of the borrower's country—and if there is a formal development plan it is customary to require evidence as to whether the project is within the plan or outside it.

- **Canadian Content**—Canadian content must be the maximum attainable under the procurement possibilities for the equipment, materials, and services required, but in any case should not be less than 80 per cent. The margin of 20 per cent is to cover the purchase of those items and services not procurable in Canada which are necessary components of the equipment being supplied from Canada. The financing that Canada provides is intended to be used only for goods and services to be exported from Canada and may not be used for local costs in the borrowing country, nor for offshore procurement generally.

- **Prospects for Continuing Trade**—The greater the export trade promotion consequences of a particular project appear to be, the more attractive it becomes for long-term financing. There is a strong preference for transactions

offering continuing trade possibilities on commercial credit terms not requiring continuous commitments of Section 21A financing.

● **Industrial Benefits in Canada**—Priority will be given to transactions contributing to the increase in efficient production and to advanced technological development in Canada.

Not only have the criteria for eligibility for Section 21A financing been redefined to meet the always changing needs of international trade but administrative procedures have been broadened too. Section 21A financing has been geared to meet not only the exporting facilities designed to promote export of Canadian capital goods but also the special needs of developing countries. There are in fact four types of loans administered by ECIC.

1. Trade Promotion Loans—The direct trade promotion loan made to a foreign buyer on application by the Canadian exporter. The business is sought out and developed by the Canadian exporter who then applies to ECIC on behalf of the buyer for a loan covering the transaction.

2. Special Credits—For some countries, Canada has joined a consortium of creditor countries which jointly pledge foreign capital assistance to a particular developing country. Funds are allocated as a Special Credit to the recipient country in advance of selection of specific projects for financing; otherwise, the technique of administration does not differ radically from export promotion credit. The recipient country normally selects the project for which it desires to purchase Canadian equipment, and once ECIC approves this project, the way is clear for the foreign buyer to enter into commercial negotiations with the appropriate Canadian supplier.

Canada has made Special Credit commitments in this way to Greece, India, Pakistan and Turkey.

3. Joint Financing—For Latin American countries, in addition to the normal trade promotion credits, there is a special facility for co-operation in financing development projects between ECIC and the IADB (Inter-American Development Bank). ECIC has committed funds to IADB to finance, in conjunction with it, projects which neither the IADB nor ECIC feels like undertaking alone because of the size of the foreign exchange commitment or for other reasons. The commitment to Latin American countries through the IADB does not preclude financing under straight export promotion long-term credits. Canadian exporters may still seek out and develop business there which will qualify for long-term export financing under Section 21A in the normal manner.

Should advantageous opportunities arise for joint financing with any national or international lending agency, there is no impediment to making co-operative arrangements for ECIC to participate. Negotiations are already under way to develop projects on this basis.

The Canadian portion of loans made in conjunction with other lending agencies is tied to the purchase of capital goods and services from Canada.

4. Loans to National Industrial Development Banks—More recently ECIC has been authorized to make loans to national development banks to be lent or allocated to industrial or other users in the country concerned. Formal Section 21A financing criteria are applied to purchases made under the program, except that the loan would be committed in advance of placing actual export orders.

At all times Canadian exporters receive maximum assistance to help them channel their trade promotion efforts in the most productive direction. It is impossible even for experienced exporters to be completely familiar with all the aspects of long-term export financing. Each case is unique and requires its own approach. To this end ECIC is prepared to discuss prospective transactions requiring long-term export financing at a very preliminary stage and to give guidance on the eligibility of the proposed transaction under Section 21A.

By means of early consultation, the exporter can obtain explicit definitions of criteria and policies as they may apply to his particular case. Preliminary discussions will enable him to learn all of ECIC's requirements and will prove invaluable to him in preparing in the proper way his formal application for Section 21A financing. When he is aware of these requirements and thus is in a position to obtain essential information from the foreign borrower during his commercial negotiations, the exporter can submit more easily a fully documented application. This makes it possible for ECIC to process the application and give with the minimum delay a decision regarding Section 21A financing.



How Export Drawbacks Work

P. GORRIE and T. A. WARDER, Department of National Revenue.

THE Canadian exporter working out his export prices sometimes does not realize the benefits offered by the export drawbacks legislation and does not take them into account. Under this legislation, he receives a refund or "drawback" of 99 per cent of the customs duty and taxes:

1. On imported materials or parts that go into a product that is later exported.
2. On imported goods that are afterwards sold abroad in the same form, without being used in Canada. (One exception to the latter is discussed later.)

This helps Canadian companies to offer their products for sale abroad at competitive prices.

The Canadian manufacturer who wishes to make claims under the drawback sections of the Customs Act and the Excise Tax Act under (1) above must naturally maintain adequate records on which to base his claim. These records should cover purchases, sales, and stocks on hand and also specifications, lists of materials, or formulae related to the production of the products on which he wants to claim drawback. The businessman will recognize that these records form part of any efficient operation. The only special accounting system he may need to set up is one to control balances of material and

money against imports on which he bases claims. Each claim is audited by a drawbacks investigator after it is submitted.

It is left to the claimant to decide how to determine what quantities of imported materials or parts have been used in producing the exported product. Table I is a simple "export analysis" that could be used by an exporter of radios. The claimant is exporting four models and each contains only five imported parts or materials. The analysis covers his shipments abroad from January 1 to March 31, 1965. (Note that there is only one speaker and cabinet per model but the number of other components in each radio varies.) The date of shipment is given.

Sometimes the export analysis will be much more complicated and the manufacturer may wish to consult the nearest Drawbacks Office of the Department of National Revenue. These offices are listed in the accompanying box feature.

Once he has determined the quantities of imported parts and materials that have gone into the exported product, the claimant has to relate these quantities to the import entries made when these imports went through Customs.

At this point, he is ready to fill out the Statement of Claim. On this sheet he must give the date of export, not the date of shipment as on the sample

TABLE I
STEP I—QUANTITY OF RADIOS EXPORTED

Export Entry No.	Shipping Date 1965	Model 1	Model 2	Model 3	Model 4
9268	Jan. 2	100	50	10	80
12632	Jan. 20		100		
18764	Feb. 15	50		20	
20379	Mar. 3				70
26420	Mar. 29	40		10	
Total exports		190	150	40	150

STEP II—IMPORTED PARTS AND MATERIALS

	Model 1	Model 2	Model 3	Model 4	Totals
Quantity exported	190	150	40	150	
Speakers					
SK10	190		40		230
SK12		150		150	300
Cabinets					
C1	190				190
C2		150			150
C3			40		40
C4				150	150
Capacitors No. CA22	380	450	160	150	1,140
Copper strip 1/2" x .026	4 lb.	2 lb.	3 lb.	5 lb.	14 lb.
Steel strip 1" x .032	2 lb.	3 lb.	4 lb.	9 lb.

analysis. He then files his claim in triplicate with the nearest Collector of Customs, supported by a certified true copy of each import entry listed and of each invoice covering the export. When there are a large number of import entries they should be listed by port, number and date and three copies of this list attached.

One problem that may arise in making out these claims involves scrap. Drawback regulations permit claiming on gross quantities. In the example below, if the copper and steel strip amounts are net, then the totals may be increased by the production scrap loss, again subject to later audit. This also applies to the capacitors. The use of the speakers and cabinets will probably not result in scrap loss.

However, if the scrap can be sold and would, if imported, be subject to duty, then the claimant must make an appropriate scrap deduction from the final net claim, based on the import duty which would have been levied on the sales value of the scrap in Canada. Any merchantable scrap resulting from use of the copper strip would require deduction calculated on the claimant's sales value at the rate of duty which Schedule "A" of the Customs Tariff imposes on copper scrap (i.e. 3/4C#, as per Item 348, if from the United States). No deduction would be necessary for the merchantable steel scrap, because it enters duty-free under Item 373. The scrap must not be useful in its present form—metals, for instance, must require remelting. In addition, nothing said here applies to surplus parts or materials or to loss incurred in other than production.

In addition to the Statement of Claim, other forms are used as follows:

- *Certificate of Import and Sale or Transfer.* When the claimant entitled to drawback did not import the goods, the importer, using this form, waives his right to drawback in favour of the claimant, details the amount of duty he paid on the goods sold, and gives other information about the import entry.
- *Certificate of Sale for Export.* This is used when the claimant is the manufacturer or producer but not the exporter of the goods. This form lists the manufactured goods sold in Canada and subsequently exported, and contains the exporter's waiver of drawback rights in favour of the claimant.

Claims may cover exports up to a maximum of twelve consecutive months only and claims must be filed within six months of the date of the last export entry. (Claims presented at one time must total at least ten dollars.)

In the sample analysis of radio sets, the final *date of shipment* was March 29, 1965. If the *date of export* (given on export entry form B-13) was March 31, 1965, the exporter must file his drawback claim not later than September 30, 1965. Manufactured goods must be exported within three years of the date of payment of duties and/or taxes levied on imported materials or parts if they are to be eligible for drawback.

So far we have dealt with examples of claims for drawback covering the great majority of exports. Some manufacturers, however, have more

District Drawbacks Offices

Location	Address
Amherst, Nova Scotia	Dominion Public Building
Montreal, Quebec	Customs House
Quebec City, Quebec	Customs House
Ottawa, Ontario	Connaught Bldg.
Oshawa, Ontario	Federal Bldg.
Toronto, Ontario	Dominion Public Building
Hamilton, Ontario	Dominion Public Building
London, Ontario	Dominion Public Building
Windsor, Ontario	Dominion Public Building
Winnipeg, Manitoba	Dominion Public Building
Calgary, Alberta	Customs House
Vancouver, British Columbia	Customs House

complicated operations that bring in other factors. A few of these shortcomings are outlined below.

1. Equivalents—Sometimes both imported and domestic material of the same class are used in the same plant to make similar goods, some of which are exported. When this happens, drawback may be allowed against the exports as if they were made entirely of imported material. It is stipulated, however, that the import entries quoted must represent materials used in the twelve months before the manufacture of the exported goods. Exporters, who find this regulation difficult to understand can ask for help at the nearest Drawbacks Office.

2. Consumable Materials—Materials *directly* consumed in the manufacture or production of goods exported are eligible for drawback. Drawback is not allowed on any type of permanent or non-permanent plant equipment nor on materials indirectly consumed in the process of manufacture or production, such as fuel of all kinds. The Department of National Revenue makes a practice of requesting a description of the use of potential consumable materials to secure a ruling before the drawbacks claim is submitted.

3. Byproducts—When the processing of an imported material results in more than one product or byproduct, only a portion of which is exported, a special procedure has been devised for allocating duty equitably to each product or byproduct. This is done by a "value outturn statement", which proportions the duty over each product or byproduct, using the ratio between the value of a product and the total value of all the products derived from it.

So far we have discussed drawbacks on goods manufactured in Canada using certain imported materials and then exported. Drawback is also allowed on goods brought into Canada and exported in the same condition without being used in Canada at all.

A drawback may be granted of 99 per cent of the duty, sales tax and excise tax paid on imported goods that are exported:

1. To a country other than the one from which they were imported.

2. To the country from which the goods were imported if these:
- have been processed in Canada as ordered at the time of import.
 - are to be further processed and reimported into Canada.
 - have been purchased by the Government of Canada or by a Crown Corporation.
 - have been supplied to a Canadian manufacturer for the sole purpose of assisting in the development of correlated goods that are to be exported.

The main purpose of these particular regulations is to help Canadian *importers* to compete in foreign markets. For example, a distributor may import goods from Britain and maintain stocks in Canada so that he can offer immediate delivery to his United States customers. The drawback of 99 per cent of the customs duty and tax makes it easier for him to compete with other suppliers.

This section also assists an importer in another way. Suppose that after he has imported a product from, say, Australia, he finds that it is not selling in the Canadian market. But he discovers a customer in Jamaica, to whom he ships the goods. The drawbacks provision makes it possible for him to complete the transaction, if not at a profit, at least with a minimum loss.

Claims under these regulations can be filed by either the importer or the exporter. If the claimant is not the importer, he must obtain a waiver on a form entitled Certificate of Importation, Sale or Transfer, or if he is not the exporter, on a Certificate of Sale for Exportation. (See earlier sections on the use of these certificates.) The same minimum amount of claim and the same time limits apply as for the Statement of Claim. In these instances, however, the export analysis is rarely required and the import entries to be used are those on which the exported goods were originally imported. Sometimes an export analysis can be used to advantage, as when numerous exports are repetitions of the same style or quality of goods and these were imported on relatively few import entries. Goods exported may be matched against goods imported by means of marks and numbers on packages, serial numbers, or inventory records. It is obvious how important it is to maintain proper records and to have all pertinent information shown on both import and export documents.

It is a prime requirement that the goods on which a drawback claim is made have not been used in Canada for any purpose, except as outlined in subsection 2(b) above. "Processing" in this context is defined as of a minor nature, not sufficient to qualify the goods as "manufactured and exported". It is permissible to break bulk and to repackage the imported goods. This is not considered to be "use". A part only of an import shipment may be exported and a claim made for it.

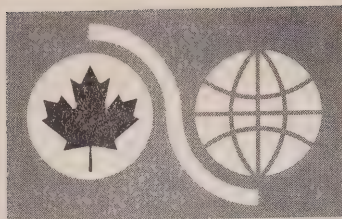
A claim under this section must be supported by a certified true copy of each export entry listed in it and of the relevant sales invoices. In certain instances, further documents are required. When goods are imported from the United States and exported to another country via the United States,

evidence of through shipment must be provided, such as a through bill of lading, a United States Customs T. and E. Entry, or evidence of landing in the country of final destination.

On imported goods that are afterwards exported to the country from which they were obtained, the exporter receives a drawback of 90 per cent of the duty, sales tax and excise tax, provided that these goods have not already been eligible for a drawback of 99 per cent. These claims must be filed on a special form as under the previous section covering *Goods Imported, Then Exported*. If the goods are used in Canada, claim for drawback is not allowed. Claims are prepared in much the same way as described in the previous section, but instead of the export invoice, a certified true copy of the credit note received is required when goods are returned for credit, or a copy of the through bill of lading if exports go forward on consignment.

The time limit for drawbacks of this type is two years—that is, a claim must be filed with a Collector of Customs and Excise within two years from the date of payment of duties and taxes on the goods that the claim covers.

There are also special regulations covering other special types of drawback, such as Canadian Commercial Corporation purchases for export, spirits exported, new motor cars bought in Canada and used here temporarily before being exported, and imported car parts exported to Commonwealth countries. The various Drawbacks Offices will be glad to provide information on these special categories and to help exporters with all their drawbacks problems.



Getting and Keeping Salesmen Abroad

O. MARY HILL, Editor, "Foreign Trade".

PRODUCTS don't sell themselves, however well designed and competitively priced they may be. Selecting, training and supervising a sales force has become an important part of doing business in Canada; it is even more vital in carrying on export trade. Your salesmen in foreign countries are farther away, they often have to carry greater responsibility, and they must operate with less supervision. They must not only be good salesmen but also good ambassadors for your firm and perhaps for Canadian business as a whole. Selected with care, encouraged and supported, they can spell the difference between success and failure in export markets.

The product that you wish to sell and the service that you expect will determine what type of foreign representative you choose. Basically, there are two types:

- 1. The agent**—who solicits orders for a product, passes these on to his principal, and receives a commission on sales. He does not take title to the goods nor does he assume the credit risk. Generally speaking, only the largest agencies maintain inventories and very few provide servicing. Agencies run the gamut from those handling two or three lines to those handling hundreds.

2. The distributor—who buys from the principal for his own account, maintains stocks, and ships from these stocks to fill the orders that he secures. He sets his own resale prices, employs his own salesmen (which agents do this also), extends credit to customers, and provides installation and servicing as needed. In fact, the distributor is the overseas equivalent of our wholesaler.

If your product is one that will be sold in a large number of retail outlets, an agent is sometimes the best choice because he can keep in close touch with these stores. He is especially useful in marketing "package" merchandise and also large and expensive products that are mainly custom-made to the individual order. The distributor, on the other hand, is well suited to selling consumer durables and other products that require servicing and replacement parts, such as heating equipment.

Some Canadian firms employ both commission agents and distributors, depending upon the individual market and its needs. One of them, in the games business, uses in West Germany and Belgium distributors who buy for their own account and warehouse the goods. But when the customer is a large one, he often makes direct sales and ships from Canada. A refrigerator maker uses commission agents in the West Indies and distributors who stock in the Middle and Far East.

Direct selling, of course, is often possible; many large department stores prefer this direct contact with the supplier, as a big manufacturer of hockey boots and other sports equipment has discovered. It is also possible to sell to "buyers for export" located in Canada, the United States or Britain, who buy for foreign governments, for companies with interests in many countries, or for large retailers. Direct selling may also be preferable when the transaction involves complicated negotiations.

Choosing the best qualified representative, either agent or distributor, will repay the time and effort that you devote to it. Pick the right man and you usually have it made; pick the wrong one and your troubles persist. The choosing will take time. One Brantford exporter says: "If you get a satisfactory distributor on your first contact, count yourself abnormally lucky; if you get him on your first five contacts, your score is above average."

To begin with, you need names of prospective agents. There are a number of sources to which you can turn.

1. Canadian Trade Commissioners stationed abroad. This is usually the best source because you can write to the Trade Commissioner and ask him to recommend one or a number of agents from whom you can choose. He is familiar with Canadian ways of doing business, has many local contacts, and can do interviewing for you.

2. Associations of agents, distributors, importers, etc., in various countries. Most of these associations act as clearing-houses for requests for representatives and often circulate these to their members.

3. Canadian exporters of complementary but non-competing lines. They

They Keep Their Agents Happy . . .

1. Two Canadian companies dealing in canned fish products send to their newly appointed agents complete documentation on all their lines. The literature describes their products in detail, the method of packing, and the standards for grading fish. They also maintain regular contact with their agents by periodic bulletins and letters.

2. A Canadian distiller who had given his agency to a Bonded Stores dealer supported him by placing a full-page advertisement in the dealer's Diplomatic Corps catalogue, which is widely distributed.

3. A West Coast paper company selected a top agent in Central America and agreed to support him generously during an introductory period. After the agent had made a few sales, the company flew him and his wife to British Columbia to visit the company's mills and head office. The representative sent down from Canada also spent four days with the agent in each Central American country, visited all the newspapers and also inspected port unloading facilities, etc.

4. Keen selling, visits from head office personnel, and good technical promotion support of the local agents made possible outstanding sales of a cellulose film.

5. A paper manufacturer helped his European agents by deciding to have them carry stocks in bond, so that they could counter competition from Scandinavia by offering equally fast delivery.

6. Exporters of a mineral product made inroads into a large market by sending out top executives to visit it, by choosing good agents and supporting them, and by adapting their approach to the market as conditions warranted and the agent directed.

may be willing to give you the names of their representatives or to ask these representatives to recommend good agents or distributors.

4. Your bank, which may have branches or correspondents in the countries in which you are interested and can pass your request along.

5. Trade fairs abroad. If you make a product that can be exhibited at a trade fair, especially in Europe or the U.S., this is often an excellent way to contact good agents, who come to these fairs looking for accounts to handle. This applies especially to highly technical products, because the agent can actually see what you are selling and how it works, and can discuss selling points with you.

Whatever source you select, your first approach will probably be by letter. The more specific you are in your letter, the better the results will be. Don't write to the Trade Commissioner and say, "I want to sell women's wear in your territory. Please find me an agent." Tell him what types of women's wear you can offer, the price range, what volume of orders you can handle, how quickly you can deliver, and the sales channels that you use in Canada. Give him your idea of the ideal representative. If you can, mention c.i.f. prices and the rate of commission you expect to pay. This information will help the Trade Commissioner to make a good preliminary selection.

Once you obtain a list of prospective agents, three courses lie open. One is to ask the Trade Commissioner to make his recommendation—though

he invariably prefers that you make the choice yourself. A second is to write to the agents, give them all the details you can about your line, and send them samples, descriptive literature or pictures. Then ask each one to write and tell you why he wants the agency for your product and how he would market it. Make your selection on the basis of these replies. The third—and undoubtedly the best—way is to go and do the choosing yourself. The Trade Commissioner will be glad to line up appointments with candidates so that you can make good use of your time.

What are the important things to keep in mind in selecting a representative in a foreign country? The traditional answer is the three C's—character, capital, and capacity—and this covers a good deal of the ground. Many of the factors are the same as in Canada: a sound credit rating, a good reputation in the business community, the right contacts, a large enough organization to operate efficiently. Some of these factors may be even more important than they are in Canada. Take contacts. In certain markets, it is vital that your agent stand in well with government officials, such as those who issue import licences, or the Customs authorities. In Latin America and the Far East, who he knows may be just as important as what he knows, but *entrée* must be teamed with ability. Where importing calls for a great deal of paperwork, make sure that the agent has an efficient clerical staff to deal with it. If yours is a technical product, find out whether he has sufficient technical knowledge and salesmen who are well trained. In many of the less developed countries, your representative should be familiar with government purchasing procedures and methods, because in certain fields the government is the only possible customer. If he is a non-national, make sure that he speaks the language of the country and that he will be acceptable to the authorities.

Other obvious questions are:

- How much sales experience has he had?
- Does he have enough working capital?
- What other lines does he carry? Are they complementary to or competitive with yours?
- Does he handle any other Canadian products?
- What territory does he cover? Can he cover it adequately? Does he employ subagents in other centres?
- Do you think that he can make money handling your product?

One of the advantages of on-the-spot selection of agents is that you can answer many of these questions by visiting their offices and, if they are stocking distributors, their warehouses as well. Go with them to call on firms that might become customers; observe how they are received and their sales approach. Check references with some of their principals, especially other Canadian firms. Say to each candidate: "If I gave you the agency, how would you go about selling my product?" Ask each to draw up a list of potential customers.

Eventually you may have to choose between a large, well-established firm with excellent credit and an impressive setup and a younger one with

its fortune to make. Which is better is a never-ending argument among exporters and the answer is that old standby, "it depends". The large one may have so many accounts to look after that it is apt to concentrate on the biggest and most profitable and you get the short end of the stick. The newer agency will hustle for business but choosing it involves more risk, especially financial risk. One exporter remarked that you may find yourself "balancing motivation against reputation when both are not available in the same firm." For products that call for a lot of technical knowledge, you may be better with the experienced agent.

When you have thoroughly investigated all the candidates, you can make a selection then and there. This will or should give you time to train the agent in the good points of your product and how to sell it. But some exporters feel that it is better not to make a choice until you return home, in the belief that when you are rested and relaxed, you make a better decision. This means that you cannot start the agent off personally and some training time is lost.

You may want to supplement the informal training that you do during your visit with something more formal later. A United States firm that sells mechanical packing and mechanical seals for industry offers all its distributors a correspondence course and pays each one for completing it. The course is designed to make the distributor able to service customers with a minimum of instruction and help from head office. The course literature is provided in the distributor's own language whenever possible; it is already available in six languages.

In some active markets the shoe is on the other foot and you must sell the agents you want on accepting your line. They won't take on what in the U.S. they term a "dog" (or non-mover) and they want to be sure that handling it will mean a good profit. In these instances, make your sales pitch carefully.

The choice made, the next step is coming to terms with the representative. A number of points should be settled, including the following:

1. The products to be covered. At the beginning it may be better not to give the agent your whole line, but to let him introduce one or two products at a time.
2. The territory to be covered. Many agents demand more territory than they can cover adequately. Be sure that he employs good subagents, and perhaps provide for a later expansion of territory if he proves himself.
3. The rate of commission to be paid and how it is to be assessed. Will the representative be paid a commission on sales that are made directly by the company? (The most common range of commissions is between 5 and 15 per cent.)
4. What the terms of sale are to be—the f.o.b. point, discounts, special arrangements covering introductory orders, guaranteed sales, and special "deals".

5. Sales aids, premiums or advertising assistance that the principal will undertake to provide.
6. Services that the representative will provide, such as installation and servicing, warehousing, etc.
7. Whether or not sales to government are to be reserved to the principal.
8. Other details, such as confirmation of orders (they should be in writing), shipping, invoicing, customer credit ratings, minimum orders, samples, etc.
9. Information that the representative is to provide regularly to keep you abreast of market changes and developments.
10. Arrangements for terminating the contract. Any cancellation clause should be thoroughly understood by both parties.

Many firms are content with a verbal agreement with a representative, consummated by a handshake. Others prefer an exchange of letters on company letterhead, setting out the points mutually agreed upon. Still others hold out for a formal written contract.

Whatever arrangement you make, insist upon a trial period of six months or more, and let your agent know that you are trying him out. One Canadian paper company enters into an informal, open-end agreement for six months and then signs a formal contract. (The International Chamber of Commerce has a useful pamphlet "Guide for Drawing Up Agency Contracts". See the bibliography.)

Getting the right representative is only the beginning; next comes the equally important matter of encouraging and supporting him. How well he performs depends on his principal as much as it does on his own efforts. The important thing with an agent or distributor in a foreign country is to make him feel that he is a real and vital part of your organization, even though he may be thousands of miles away. Essentially he is your employee.

Remember that he will be the first and sometimes the only representative of your company whom the foreign buyer will see. He needs to be educated about your product and what it can do and must also have background information about your company and perhaps be trained in suitable selling techniques. Sit down with him and work out a marketing plan, however rough. This should include the timing of sales calls and the method of making them, what arguments to use in discussing competing products, what types of advertising and promotion will be most effective, and so on. It will pay you to spend several days with him on a first visit and perhaps include in your training some of his salesmen. Whenever you visit this market, go with him to call on important customers or those who have some problem or complaint. This will not only enhance his prestige but will give him a chance to see how to handle sales problems. Include him in any entertaining that you do while you are in his city so that he can meet potential clients under your sponsorship.

The ideal arrangement is for you or someone else in your company to visit all your foreign representatives at least once a year or every 18 months.

Between visits, keep in close touch by letter or other means. Don't forget the telephone—you can telephone an agent in most parts of Europe for about \$4.00 a minute. There is also telex. In Latin America, where fewer companies have their own telex service, there is a central organization that will take your teletype and relay it to your agent. Write to him frequently and also answer his letters promptly, even when your answer to his questions has to be negative or temporary. Many companies make sure that their representatives receive letters, sales bulletins, or other literature every month and sometimes more often. If it will help, let him write to you in his own language if you can get the letters translated readily. Reply to him in English if translation service is unsatisfactory.

Here are other suggestions about keeping him happy:

- Ship sample orders to him promptly and if delivery of other orders is delayed, tell him right away and tell him why.
- Make sure that quality is kept constant and that goods live up to specifications.
- Where possible, and especially in Europe or the United States, encourage him to take part in suitable trade fairs and perhaps offer to share costs with him.
- When he needs a new supply of catalogues, consider sending them to him by air.
- Be sure to send the documentation on a shipment at once, and by airmail.
- Make sure that he gets full details about any new lines.
- If it is practical, pay him his commission out of the proceeds of each collection.

Many exporters encourage their agents to come to Canada, visit the plant, and see the product being made. Some even pay his expenses. More commonly, the agent pays his own way and the company entertains him while he is here. He may want to look for non-competing agencies and if he has paid his own fare, he feels more free to look around. Don't be too busy to pay attention to him. If you make a technical product, give him a chance to spend some time with your factory and sales people.

A big company with a large number of agents or distributors sometimes devises more elaborate methods of keeping them at the top of their form. Canadian Chemical Company, for example, gathers all its European agents together at some central point every two or three years. For several days, they discuss with head office personnel technical advances in the field, any new products, and the company's sales policies. There is plenty of time left for informal social gatherings.

Perhaps the most imaginative meeting of this kind was staged by Massey-Ferguson in Greece two years ago. Known as Olympiad 1964, it was planned to introduce the "new look" in its range of tractors and implements and was held at a seaside resort 25 miles from Athens. About 70 distributors from 57 countries and their wives came to the four-day meeting, and so did

M-F's chairman of the board and chief executive officer, its president, and many company personnel from both North America and overseas branches. A stage musical with an authentic Greek setting told the story of the company and its products and on the grounds of a nearby agricultural college, equipment (especially 1965 equipment unveiled for the first time) was exhibited and demonstrated. At kiosks modelled after the street kiosks in Athens, sales aids were displayed and the visiting distributors could discuss product training, advertising, servicing, etc.

No matter how carefully they are chosen and how much encouragement and help they receive, some representatives just don't make the grade. The principal should check on the performance of an agent regularly to detect quickly when sales begin to slip. Don't fire him out of hand; look for the reason first. Perhaps it is the fault of the company: his letters may be lying unanswered or his orders may not be getting prompt attention and he is losing interest. His rate of commission may not be high enough in current market conditions, he may be handling too many lines, or he may have a health or financial problem. A letter to the Trade Commissioner asking him to drop in on the agent or to investigate may provide some answers or it may be worthwhile sending someone from head office to do some troubleshooting. One veteran believes that "a jeopardized relationship can frequently be saved; a broken one, generating ill will, could interrupt a profitable export trade."

If you do decide to sever the connection with an agent, go about it carefully. Even though your agreement contains a cancellation clause, you may run into trouble, especially in Europe. In a case referred to the EEC's Court of Justice, a large U.S. chemical company discovered that an agent in one of the Common Market countries had the right to as much as a year's earnings when the firm dropped him. No matter what the settlement, the principal's reputation almost always suffers in a change of representatives and it may prove difficult to find someone else to take on the account.

One Trade Commissioner who has served in a number of posts, when asked for a recipe for good relations with agents, put it this way:

"The positive approach is simple. Support the agent under your agreed terms. Visit him as often as possible and make calls with him After the initial assault on the market, sit down with him and decide where to go from there. If the prospects are at all encouraging, he will repay your attention with his special efforts on your behalf."



Trade Fairs Can Help You Sell

F. A. COCKRAM, "Foreign Trade".

"BEFORE THE EXHIBITION we had no business in Britain and, for that matter, no firm plans for going after any. There is no doubt in my mind that participation in the show stimulated faster action on our part. Had we not been compelled by the set dates of the event to get going, undoubtedly we would still be in the thinking stage back in Canada. We have already started to engineer the selected products, our distribution plans are almost complete, and we are determined to end up ultimately with 5 per cent of the market."

The businessman who recently wrote these words to a Trade Commissioner abroad is one of the many who in the beginning had to be "persuaded" to enter a trade fair. The fact is that many Canadian companies are not using foreign fairs and exhibitions to boost their exports as much as they could — and should.

When (and if) they take the plunge, the results are so good (one Canadian company did over \$10 million worth of business after participating in the International Engineering Exhibition in London) that they write often effusive letters of thanks to the Government. For example: "May I express our industry's appreciation of the assistance and good work done by members of your Department . . . We did not realize that the market was so good." Only satisfied sellers write that way.

Government officials are given many reasons for firms shying away from fairs.

"We're too small a company, our production is just keeping up with domestic sales."

"This company does not believe in spending money on promotion when increased sales are not definite."

"We've shown before at an industry fair and couldn't get any attention; there were too many exhibitors."

"How can Canadians hope to compete against high-volume, low-cost manufacturers from other countries?"

"It's just too much fuss, muss and bother; we're doing all right as it is."

Some of these criticisms may be valid sometimes, but a second and closer look at the "whys" and "hows" of government-sponsored exhibits usually shows that most manufacturers' fears are groundless. Trade and Commerce officers have recognized where the pitfalls are and how to avoid them if at all possible.

If a picture is worth a thousand words, then a properly organized exhibit in the right trade fair is worth a million. The combination of an attractive exhibit and an eager, well-informed staff is almost unbeatable, no matter what the show.

Basically, fairs are divided into two categories: the vertical and the horizontal. Although the horizontal (or general) fair has been the best known for many years, the vertical (or specialized) exhibition is fast closing the gap, both in frequency and sales.

The horizontal fair covers a wide range of goods from many industries. The Canadian National Exhibition, for instance, offers everything from washcloths to tractors, from prefab cottages to data processing equipment. This type of show usually opens its gates to the general public and is physically larger than a vertical fair. There are three main ways of setting up a horizontal fair.

- Manufacturers may be located on a first-come-first-served basis with no attention paid to the grouping of commodity classes.
- National or state exhibits may be the keystone to planning. The organizers of each exhibit are responsible for choosing the products to be shown on the stand.
- Special industries may be assigned specific buildings or exhibit areas; related or accessory products may be placed nearby.

Most horizontal fairs are organized by national, regional or municipal groups, and even if they are termed "international", the emphasis is usually on domestic producers.

The vertical fair is an entirely different kettle of fish. It is designed purposely to allow buyers from a specific industry to view products directly connected with their work. Most of these buyers come with purchasing authority from their companies. Although attendance is usually smaller than

When You Decide to Exhibit

The Government Will:

1. Advise you on suitable fairs to enter.
2. Invite you to join others in your field to make up a government-sponsored exhibit.
3. Design your display area.
4. Ship samples to the exhibition site — and back to Canada.
5. Provide advertising, publicity and marketing services.
6. Introduce you to likely buyers.

You Should:

1. Decide what lines you want to show — and stick with them.
2. Write to the Trade Commissioner responsible for the area in which your fair will take place and ask him about local competition, prices, import tariffs or quotas, and the ways and means of distribution.
3. Choose only senior executives and technicians to man your booth; be sure they are in good shape before the fair opens.
4. Prepare comprehensive catalogues and export price sheets.
5. From the moment the fair opens until the moment it closes, SELL, both yourself and your products.

at a horizontal fair, the dollar volume of sales is likely to be quite high — both during the show and after. Repeat sales make the difference.

Canadian exporters have made particularly extensive use of trade fairs in Britain, Western Europe, and the United States. New York, Chicago and Los Angeles seem to be favourite U.S. locations and are well known for huge trade shows covering such industries as clothing and textiles, heavy machinery, electronics equipment, marine supplies and giftware. London, Manchester and Glasgow lead the field in England and Scotland, and Canadian suppliers of foods, building supplies, furnishings and hardware have been active there in past years. Paris is France's main marketplace for our leathers and aircraft, and Cologne has been the site of Canadian triumphs in the areas of sporting goods and foods.

Even the Iron Curtain has proved no barrier to exporters with drive. Individual manufacturers have exhibited independently in Moscow, Poznan in Poland, and Brno in Czechoslovakia.

As the world has grown smaller with the coming of high-speed transportation, trade fairs and exhibitions have come into their own. Manufacturers are learning to take advantage of expanded airline and shipping schedules (not to mention the highly proficient organizations backing most shows) to get themselves and their goods where the action is.

The number of fairs in almost all countries has grown so large that few publications can hope to list them all. The best references are the *Exhibition Bulletin* (London), the *Graphointer International Directory of Trade Fairs and Exhibitions* (Athens) and *Exhibits Schedule* (Philadelphia). The interested Canadian can turn to a number of other magazines and information services for listings of current and coming shows. Among these are *Foreign*

Trade (Ottawa), the *Board of Trade Journal* (London), *International Commerce* (Washington), and *German Trade Fairs and Exhibitions* (Cologne). Additional information can be obtained from Canada's Trade Commissioners abroad, foreign commercial representatives in this country, and various trade and manufacturers' associations.

The first question any firm contemplating an exhibit at a trade fair should ask is whether the show will actually help it to sell. More often than not, the answer is "Yes," even on a one-shot basis. The proper show can tell a supplier many things:

- What the tastes and needs of the market are.
- What competition he can expect and how his prices compare with others in his field.
- What agents he should approach to carry his line.
- Who his potential customers are and the ways in which they prefer to buy.

For the beginner there is no hard and fast rule about which type of show (vertical or horizontal) is best. If there is a good possibility that the product is competitive, then a vertical fair is probably the one to choose. He can meet prospective agents and buyers in an atmosphere well suited to a hard-sell approach; if he can find one or more agents and write some trial orders, his trip has been worthwhile.

The horizontal fair may be the answer if (and this is true of many consumer goods) the general public is the final judge of what is acceptable. The *Daily Mail Ideal Home Exhibition* in London is a prime example. More than a million people come each year to view the many household products shown by the 500-odd exhibitors. A number of Canadian companies have got their start in Britain through this fair. This type of show can be used both for sampling a market or for increasing sales by giving an agent a helping hand.

There are other considerations. What size is the fair? How many buyers from how many countries will attend? Will the competition be too keen? What are the fair's regulations and service facilities? Do its sponsors and managers have good reputations?

This may seem to be a long list of "ifs, ands and buts"; however, a decision on each is necessary for a sound appraisal of any fair. Even these are not enough without the answer to one final question — cost.

What is "expensive"? Only the individual manufacturer can say. Many variables, both large and small, come into play in talking about the dollar and cents — or profits — of a trade fair. An impossible price figure for one producer may be negligible for another. Although each firm's needs differ, an estimate including the following should give a basic set of costs:

(a) Space. Does the price per square foot (or metre) include shell stand construction, move-in-and-out service, and electricity?

(b) Stand design and construction. Will you have to do your own? How do local labor costs run? How about decoration, lighting and display equipment?

(c) Depreciation and pilferage of samples.

(d) Transportation of products. One way or return? What import duties can you expect?

(e) Travelling and living expenses for Canadian staff and salaries of any locally engaged help.

(f) Advertising and publicity. Can you make your own radio, television, trade advertising and press contacts? How much will promotion brochures cost?

When these figures are added up, the manufacturer should have at least a reasonable idea of what participation will cost him. He can then decide whether the advantages he gains will be worth this.

Many Canadian firms enter exhibitions either on their own or with the help of their local agents, but these are likely to be old hands at the game. Although trade associations sometimes sponsor exhibits, the easiest way for a novice to break into the trade fair circuit is to enter a show through a government-sponsored display, whether provincial or federal. Two examples are the SPOGA Sporting Goods Fair in Cologne and the California Gift Show in Los Angeles. The combination of a professionally designed, cohesive exhibit, government officers who know both the products and the territory, plus senior company executives and technicians makes for an impressive, eye-catching display which will set off even the smallest product to the best advantage.

The Department of Trade and Commerce sponsors exhibits at about 40 exhibitions each year. These are hand-picked to ensure coverage of the largest, most lucrative markets. Manufacturers can get a list of proposed exhibits by simply writing to the Trade Fairs and Missions Branch of the Department.

Publicity is always important, both before and during a show. All companies in a Department of Trade and Commerce exhibit, for instance, are provided with illustrated booklets to supplement their own material as well as give-away items to advertise the Canadian stand throughout the fair. In many instances a public relations expert from the Department will arrange for pre-show advertising through the local Canadian Trade Commissioner and will also be at the exhibit itself to exploit any publicity angles.

In a government-sponsored exhibit, professional designers are responsible for the physical makeup of the stands. These designers work closely with the exhibitors to make the best use of available space.

However, if he plans to enter a show alone, the individual manufacturer should give a lot of time and thought to the physical makeup of his own booth. There is no difference between the trade-fair aisle in Rome and the sidewalk in front of the Canadian store: a good display draws customers. Motion, colour, uncluttered design — all of these work together to draw the buyer to the salesman's showcase. The Canadian Government Exhibition Commission will advise any firm about how to set about arranging the physical aspects of its proposed solo exhibit — at any fair, anywhere. It will

also, if necessary, arrange for suitable space through the local Trade Commissioner. But interest does not necessarily mean a sale, and the staff at any exhibit should not only be knowledgeable but also persuasive. Competition at most trade shows is exceptionally keen; success calls for the very best in both materials and men. It's the wholehearted effort that pays off.

In the past, Canadians have not shown themselves particularly trade fair conscious; lack of experience seems to have been the main reason. The Department of Trade and Commerce (and its provincial counterparts) has initiated and maintained a trade fair program to help the interested — but often wary — businessman to begin using this time-proven method of selling. The Commodities Branch of the Department is always eager to hear from firms contemplating trade fairs as a means of either starting or expanding export trade. Many companies in the past have been pleasantly surprised by the opportunities and results that had been there all the time, just for the asking.

The open marketplace has always provided the colour, excitement and urgency which push salesmen to do even better than their level best. Trade fairs are the 20th century's version of this age-old institution. Canadians should be making intelligent use of them. There is little to lose and a great deal to gain.



Four Principles of Export Correspondence

O. MARY HILL, Editor, "Foreign Trade".

"THE successful exporter pays close attention to correspondence with his foreign agent and his customers. He realizes that sometimes for months or even longer letters may be the main means of contact between principal and agent, or between supplier and foreign buyer. Learning how to carry on this correspondence well is a type of export expertise that is often neglected."

That is the considered opinion of at least one experienced export manager. Most exporters agree on the importance of export correspondence; not all of them believe that, in practice, it differs much from domestic correspondence. One businessman puts it this way: "Export correspondence is just like any other and the same rules apply: be polite, be prompt, be precise."

The rules may be the same, but applying them may be another matter. *Be polite*, for example. This isn't difficult when you are writing to John Smith in Brandon; you are familiar with his background and literally and metaphorically he speaks the same language. An agent in Pakistan or a customer in Portugal does not.

What about language? Should a Canadian, to be truly polite, write to an agent in Milan in Italian or a firm in Mexico City in Spanish? Or is it safer to stick to English and avoid misunderstandings? *Foreign Trade* discussed

this question—to translate or not to translate—with a number of exporters. They came up with three different answers.

1. *Correspond in the language of the recipient, if you can find adequate translation services.* This depends largely on the language needed and on the city in which you live. Often the language departments of the universities can put you in touch with translators; so can trade associations. Or you can check the Yellow Pages. But make sure that the man you choose understands commercial and technical translation (this is vital if yours is a highly technical business) and the need for speed. Remember too that the same language may vary slightly from region to region: Spanish in Colombia, for example, differs from Spanish in Argentina. If you feel unable to sustain a correspondence in Spanish or German, an initial letter in that language will earn goodwill—or at least apologize for your language disability. Companies with large foreign business interests often solve the translation problem by building up multilingual staffs.

2. *Write to the agent or client in English and leave him free to answer in whatever language he chooses.* This prevents misunderstandings and, as our executive puts it, “offers in good English are preferable to those in bad German.” Getting the replies translated is not difficult and each writer can feel at ease using his mother tongue.

3. *Correspond in English only and ask for replies in English—probably the least satisfactory solution.* In this situation, remember to phrase your letters simply and clearly and to steer away from colloquial expressions that may not be understood by someone without a North American background.

Whatever the solution, this problem of the language in which to correspond should be raised and settled in the early stages of negotiation with a customer or agent. (Direct mail, which is covered in another chapter, naturally must be in the language of the country.)

There are other facets of the injunction “be polite”. The phrase has different connotations in different regions. Forms of address and the salutations and closings in letters vary considerably from country to country; the Canadian Trade Commissioners or foreign diplomatic representatives here in Canada can coach the exporter on these points. He can then phrase letters that will have a greater appeal for Herr Eckhard in Hamburg or Abdul Rashid in Beirut. Many businessmen overseas find Canadian letters a bit aggressive and abrupt; they prefer a more formal, even roundabout, approach and the soft sell.

It is when trading problems arise that the injunction “be polite” is most important and is most often forgotten. An irritated exporter fires off an angry letter to his agent, say, and the situation rapidly deteriorates. And it can't be straightened out by a get-together over lunch or a personal telephone call. The exporter should assume initially that the agent or client has misunderstood him and compose his letter tactfully. The result will be faster progress in solving the problem.

The appearance of the letter matters too. One of the first essentials for an exporter is a well-designed letterhead for his overseas correspondence. A letter is often the recipient's first contact with the Canadian firm and the letterhead should be attractive and dignified. It should also give all the needed information—the firm's name, address, telephone number, cable address or telex number, city, province, and the word "Canada". (A surprising number of letterheads omit the latter.) Special airmail stationery is also a good idea.

Like the letterhead, the physical appearance of the letter should leave the impression that this is a competent, well-managed business. Don't accept a letter with strikeovers or erasures and insist that it be well placed on the page. If there are a number of enclosures, have the typist list these separately; then the recipient can check whether they are all there.

Be prompt means, above everything else, observing the most important single rule about letters in export trade—*write them*. This rule applies even when you have no definite information to give or when no business will result. Say that a manufacturer of washing machines receives an inquiry from a Peruvian importer. His plant cannot supply at the moment, so he has the letter filed and forgets about it. This adds up to poor public relations for Canada and for Canadian businessmen. A brief well-phrased letter explaining the situation and adding that this may change in the future gives the Peruvian a favourable impression. (Some companies go a step further and suggest other suppliers.) The same applies when foreign agents write soliciting your account—answer promptly even if you can't use their services.

Promptness also means acknowledging an order at once, especially when it will take time to assemble and ship it. Some companies find it possible to give an approximate shipping date and the probable time of arrival of the goods. It may be necessary to settle how they are to be shipped; if so, this correspondence should be initiated at once. Delays in shipping should always be explained, with suitable apologies. When the order is finally under way, a letter thanking the client is often sent. Whether or not you find these practices worth following, remember this slogan adapted from election campaigns: "Write as you like, but write." Any Trade Commissioner knows how often his telephone rings and a plaintive voice says: "I wrote to Mr. X in Hamilton weeks ago, but I haven't had a reply. Is he still in business?" If your job takes you away from head office frequently, instruct your secretary to acknowledge all foreign correspondence and give the probable date of your return if your deputy cannot handle the matter.

When your letter is ready, dispatch it by airmail. Obvious? Yes, but veterans in foreign trade know how many exporters—or their mail clerks—violate this rule. Make sure too that your mailroom keeps up-to-date on postage rates; insufficient postage on an airmail letter to Melbourne, Australia, for example, may mean that the letter goes seamail and arrives two months later. (Naturally the airmail rule does not apply to purely routine correspondence with areas not far away.) Some exporters make a point of using stamps and not a postage meter for foreign mail. Why? Because a letter

with an attractive overseas stamp on it inevitably gets more attention. Besides, your correspondent may be an avid stamp collector.

Letters do have their limitations. In export trade the race is often to the swift and mail may be too slow in certain circumstances. Today cable, telephone and telex are all to hand and should be used to take care of urgent matters. They anticipate or supplement letters but do not replace them altogether. Important telephone conversations should be confirmed by letter and letters can also put flesh on the bare bones of telex or cable.

The third rule of export correspondence, *be precise*, scarcely needs emphasis here—except to point out that it takes longer to straighten out a business muddle that involves a far-distant agent or client than it does when a telephone call will do it.

“Be precise” also means “be complete”. When a foreign agent or importer inquires about a firm’s product, the reply should describe that product fully. Take washing machines: the letter should describe the type (writing, automatic, separate tank for heating the water, etc.), capacity, usual type of export packing, usual delivery time, and so on. The price quoted should be either duty-paid delivered, or f.o.b. with transportation cost given separately. The correspondent is interested in knowing exactly what the machine will cost him. Information about canned peas should include type of peas, sizes of cans offered, number of cans to a case, and so on, and several labels from the cans might well be sent with the letter. Offers should always be so worded that there is no possibility of a misunderstanding.

Seasoned exporters also make clear to their correspondents the exact meaning of the terms they use when these vary from country to country. Tons should be defined as metric, short or long; “shipping time” distinguished from “delivery time”, and the interpretation of common trade terms such as f.o.b. and f.a.s. checked. Problems of interpretation can crop up even in exporting to the United States, where the “ounce” and “gallon” differ from Canadian measures. If the correspondence contains a number of technical expressions and goes to someone whose native language is not English, it is often helpful to send along a technical dictionary to which he can refer. Some firms follow this practice.

If you are dispatching a particularly important communication and there is even an outside chance of its going astray, send a duplicate copy by a later mail. If both arrive, the second can serve as a memory-jogger.

To the three rules cited at the beginning of this article, a fourth should be added—*be persistent*. A number of letters may accomplish what one will fail to do. Take the matter of keeping an agent interested and productive. Some exporters never write to an agent after making the initial arrangement with him, until they eventually dispatch a letter that says: “You aren’t bringing in any business; we wish to terminate the arrangement.” This is unfair. Exporters with the long view use various methods of encouraging agents to better their performance. Some send circular letters to all of them every three months, in addition to regular correspondence. These circulars

may give details on new products that the company is developing, on any supply problems expected, and on trends in the industry. Individual letters are, of course, even more effective; one pretext for these is some development that has come to the principal's notice that may increase sales opportunities.

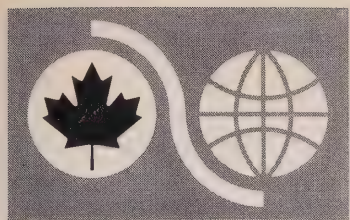
One Canadian pulp and paper company says that it writes to and hears from all its agents at least once a month and the more energetic ones at least once a week. Another firm checks every three months on the orders received from all its agents; the good performers get a letter of congratulation and the poor ones a tactfully worded one asking for reasons. Other companies consider a year-end check sufficient.

Being persistent also means following up opportunities that arise or sales initiatives made. On returning from a business trip to the U.S. or overseas, for example, many exporters write to all the firms and individuals upon whom they called. These letters express the writer's pleasure at meeting the recipients and stress his continuing desire to serve them.

Sometimes the shoe is on the other foot and it is the exporter who waits in vain for an answer to his letter. There are sometimes good reasons for delay. One may be the language difficulty. Another is that in some countries one agent with a small office staff may handle as many as 150 agencies and promptness goes by the board. In other areas the pace of business is more leisurely than it is in North America. In the United States, on the other hand, the pace is often so hectic that buyers simply don't have time to get letters out. In all these instances, if the business is worth going after, don't let the correspondence lapse out of pique. Persistence may pay off.

Here is one example. The head of a small Vancouver firm with expanding sales in the United States emphasizes this point in a recent letter. "My advice to eager-beaver exporters is never feel crushed if you don't get a reply; keep on bashing out the mail. Sooner or later you may get a 'live' one. Department store people especially never answer mail. But they compensate for this by signing worthwhile orders."

These simple rules of export correspondence, tested by a large number of firms, may work for you too. Why not try them and see?



Why Not Get Up and Go?

O. MARY HILL, Editor, "Foreign Trade".

IT WAS John Jones' first trip overseas since taking over as export manager—a three-month safari covering 15 countries. He had planned it meticulously, had read up conscientiously on each country, had lined up his appointments, had done his packing carefully.

The one thing he forgot was that he would get tired. With two months of travel and 12 countries behind him, he was fast losing his fine edge. To save time, he had chosen to travel during the weekends. With practically no chance to relax or even to think, fatigue increased and he became more and more ineffective.

For contrast, take Richard Smith. In Jamaica for a three-week holiday, he suddenly decided during his last week to get off the golf course and try drumming up some business. He went to Kingston to call, unheralded, on the Canadian Trade Commissioner who managed to set up a few business appointments for him. But Mr. Smith had no samples or catalogues, had not worked out c.i.f. Kingston prices, and didn't even know how much he could supply and when. His perfunctory attempt to get orders didn't pay off.

Then there's Don Brown. He planned to keep a number of appointments in the Scandinavian countries and went gaily off in the height of summer, dismissing airily advice about making hotel reservations. His visit was sadly curtailed because there were no hotel rooms vacant. Stewart Green, who went

to the Middle East, had all his reservations and appointments in order, but he didn't prepare himself for doing business in Arab countries and made some bad faux pas.

These four examples illustrate the need for knowhow in planning and carrying through a business trip in foreign countries. Yet all four of these men had one big advantage over their stay-at-home colleagues: they had the gumption to get on with it. They realized that the successful exporter has sooner or later to study his foreign markets firsthand, and they brought back with them a knowledge hard to come by in any other way.

In planning a worthwhile business visit, the inexperienced exporter (and even his more seasoned colleagues) can enlist the help of experts. These include the Canadian Trade Commissioners stationed overseas, the representatives in Canada of the countries to be visited, head office staffs of the federal and provincial Departments of Trade, men in other companies who have travelled widely, travel agents, and even the public library.

Put at the top of your list of preparations getting in touch with the Canadian Trade Commissioner in each country that you plan to visit. He can help you enormously—if you give him time. If, like Richard Smith, you drop in unannounced, he can't be nearly as useful. With proper notice, he can make a preliminary survey of the market for your product, line up appointments with prospective agents or customers, arrange for interpreters if needed, and advise you about local customs and the accepted ways of doing business entertaining. He can tell you about local holidays—and you won't want to cool your heels in Karachi because you arrived on a Moslem holiday or in Tokyo because it's the Vernal Equinox.

But the Trade Commissioner can't help you unless he has the information he needs—about your product, your travel plans, the type of clients you want, the kind of representation you prefer. A good way of acquainting him with the product is to send him about 25 copies of sales brochures and price lists. He can study them and distribute them to potential agents or customers. Get them to him at least a month before you leave Canada. And don't forget to work out export prices for each area. If you want to take samples with you, ask the Trade Commissioner about the procedure. If they are of no commercial value, you may be able to consign them to him and send them ahead; otherwise, you may wish to consign them to an import broker who can clear them through Customs and pay the duty, if any. The Office of Trade Relations of the Department in Ottawa can also advise you about the regulations on samples; these vary from country to country.

Next comes the travel agent. Unless your firm maintains a staff to plan executive travel abroad, he is the man to see. He can save you time and money and can help you conserve your energy. Normally he does not charge for his services but lives on the commissions that the airlines, other transportation companies, hotels, car rental services, etc., give him on business placed with them. You may even find an agent who specializes in business travel: there is one in Montreal.

A good travel agent can help in the following ways:

1. *He can plan the most economical routing for your whole trip.* Here his experience and contacts count. Suppose John Jones is going to Australia and New Zealand and says that a month after his return he has to go to Europe. The agent may suggest that he come home via Europe, for very little additional air fare. Or suppose he is going to visit Rio de Janeiro, Montevideo, and Buenos Aires. For a small extra charge, the travel agent points out, John can return via the west coast of South America and stop off in Santiago, Lima, and even Mexico City. On international trips, routings are worked out on a mileage basis to the farthest point and allow many stopovers along the general routing. For example, on a trip from Montreal to Rome the traveller can visit Copenhagen, Prague, and Vienna and he can return to Montreal via Madrid and Lisbon for the same Montreal-Rome return fare. Occasionally and under certain conditions, it may be possible to travel first class for little more than economy. The agent knows.

2. *He can look after time-consuming details*, such as the obtaining of passports and visas. Doing it yourself entails correspondence with or a visit to the Passport Office, Department of External Affairs, Ottawa, and for visas, contact with the Embassy or Consulate of the country. The agent can also advise when a special visa is needed for business trips and when a tourist visa will do. Some countries insist upon special visas or documentation if the visitor carries samples and intends to actually transact business during his stay.

3. *He can advise you about the shots that you will need* in addition to the mandatory smallpox vaccination. He keeps in touch with the changes in the requirements in various countries through the Department of National Health and Welfare. He will remind you to get started on a series of shots (such as TABT) early so that you won't arrive overseas with a swollen and itchy arm or a bad reaction. (If you plan to travel a good deal, keep your shots always up to date.)

4. *He will plan an itinerary that will be as easy on you as possible* so that you won't run down before the trip is over. This will include time to rest and especially a break halfway through the journey, when you can relax, collect your thoughts, and perhaps write reports. A businessman spending several days doing business in Georgetown, Guyana, told his travel agent that he wanted to slow down and would remain there for a weekend. The agent proposed that instead he fly on to Barbados, where the atmosphere was more restful. It was on his homeward route.

The good agent will arrange for you to arrive at your destination early in the weekend, so that your system has time to adjust before hard work begins on Monday morning. He will also see that you don't try to cram too much travel into one week.

5. *He will choose hotels for you and make reservations—even for drive-yourself cars.* Generally speaking, he will advise you always to stay at first class hotels, especially in Latin America, the Middle East and the Far East.

where prestige is vital. In addition, these hotels are good places to meet both other business travellers who can give you leads and the local businessmen.

6. *He will arrange for both travel and baggage insurance if you wish—and both are a good idea.*

7. *He can help you stretch your travel dollar* by advising travel in the off-season when this is feasible. Or in Europe, he may suggest arranging your trip to coincide with trade fairs and trade shows, where you may be able to make useful contacts.

While the travel agent attends to all these details, you can be pushing ahead with your own preparations. One Montreal export manager who travels a great deal insists that a successful sales trip begins in a library. There the librarian can dig up for you material on the history of each country you intend to visit, the makeup of its population, its racial and religious background, its economy, its trade, and the problems facing it. The more different the country, the more you will need this briefing. To help with small talk when you get there, bone up on some of the national heroes, sports figures, and tourist attractions. Our Montrealeur eventually makes a summary of all this information on one sheet of foolscap—just enough to jog his memory.

A Vancouver executive who made a long trip to Brazil told me that he prepared for it initially by visiting the Brazilian Consulate and talking with officers there. Next, he went to the public library and borrowed a pile of books covering several aspects of life in Brazil. Then (lucky man!) his wife and his secretary went through these and marked for him sections of particular interest. He then read these and made notes. If you know that you will be visiting certain countries some day, try putting into a file everything interesting about them that you come across in your reading. Then, when you plan your trip, pull out this file and start concentrating.

Seasoned business travellers carry with them a number of useful business and other supplies. Among these are:

- 1.** A supply of the firm's business stationery, for writing thank-you notes, confirming appointments, etc.
- 2.** Plenty of business cards—leave some every time you make a call.
- 3.** Small notebooks, for jotting down the main points of interviews, addresses, requests for further information.
- 4.** Small give-aways, such as ballpoint pens, rulers, and other inexpensive things with your firm's name printed on them. Foreign businessmen appreciate these even more than Canadians do.
- 5.** Extra passport photographs (up to a dozen) for exit visas, etc.
- 6.** Portable dictation equipment, if you want to dictate reports en route and mail the belts back to home office for transcribing.
- 7.** Pictures of your plant, showing the size, layout, and other details, and copies of advertisements published in Canada. They may prove invaluable in getting a good agent to take on your account or may influence purchasing decisions.

When you touch down in a foreign city, the two things to do first are to confirm your appointments and call on the Trade Commissioner. (If he has made the appointments, his staff will confirm them for you.) He will go over your schedule with you, advise you on any special social or business customs, brief you on office hours and holidays, and may help you to obtain an interpreter if one is needed. One Canadian businessman to whom I talked has a habit others might acquire. He sends to the Trade Commissioner copies of all his correspondence with firms or individuals in that area. Then when he visits the country he reviews this correspondence, thus refreshing his memory on names and transactions before he makes his calls.

The North American technique of making business calls may not be acceptable in Latin America, the Middle and Far East, and sometimes even in Europe. Language is only one of the differences; if you do not speak it, learning a few polite phrases from a phrase book will help to break the ice.

Business in many of these countries is conducted both more formally and more slowly than at home. (This formality extends to dress; no matter how hot the climate, wear a business suit with a jacket.) If you do five or six business calls a day in Canada, two or three will be the maximum in many areas overseas. A Montrealer says about his visits to the Far East, "They love trading and look upon it as a major entertainment; they see no need to come to the point quickly." Don't forget to shake hands, both on entering and on leaving an office. In many places it is considered rude to go in and start talking business at once; the proper preliminaries must be observed. In Taiwan, for example, this means drinking a cup of tea—on each call—and exchanging some small talk; this is the time when your knowledge of the country will be a great help. Sometimes the man with whom you have an appointment will have a number of his associates with him and they will stay throughout the interview. If getting about a city is likely to be a problem, hire a taxi by the day. Your hotel will recommend or find one for you.

The consensus among veteran travellers is that no business trip, particularly a first one, should last longer than two months or cover more than five to seven countries. That was the mistake John Jones made. Work some relaxation into your program; in the tropics remember the midday siesta and observe the custom yourself.

When your trip is finished and you are back at your overloaded desk, don't forget the follow-up. Write those thank-you notes promptly; send out brochures or information that you promised to forward; keep in touch with the Trade Commissioner, with your agents, and with important customers. Then your trip will continue to pay dividends.

"Our firm has never failed to get back the money spent on travelling," an export manager told me not long ago. Travel builds up personal contacts and provides the best possible opportunity of showing overseas customers what a product can do and how it will fit into the economy. And it will give you a sound grasp of markets that you can acquire in no other way. So why not get up and go?



Promoting Sales in Foreign Markets

ROYD E. BEAMISH, Director, Trade Publicity Branch.

MOST PEOPLE engaged in export trade promotion are hoping that medical research will soon emerge with a clinical explanation of, and treatment for, a baffling disease that strikes many companies the moment they begin to think of selling their goods elsewhere than in the familiar home market.

At the moment it is identified only as "export syndrome"—an inexplicable ailment that causes business firms to forget or ignore many of the basic tenets of selling the moment they begin to find markets abroad.

Few Canadian companies today would dream of launching a new product without developing a comprehensive marketing program, including market research, test market studies in suitable communities, an analysis of the competition, advertising and sales promotion.

But all too often the same company will decide to sell the same product in a country like Tanzania, Thailand or Trinidad and Tobago with little or no research, no realistic sales target, and no supporting artillery in the form of advertising and promotion. They contact an agent, make a deal, and sit back complacently waiting for him to set the world on fire with spectacular sales.

One reason for this unbusinesslike attitude, of course, may be that market information is not as easy to come by in some countries as it is on

this continent. Another is that a good many companies approach the business of exporting with a peculiar ambivalence. On the one hand, there is the uneasy thought that the game may not be worth the candle — that the whole program may turn out to be merely an exercise in futility. Management often finds it difficult to believe that it really can sell in foreign markets against the competition of other, perhaps nearer, countries. On the other hand, there is the equally unsettling thought that the quest for export markets might turn out to be just too successful. What will happen, management wonders, if we get orders so large that our production capacity can't take care of them, in addition to domestic demand?

Neither of these fears is likely to be realized if the prospective exporter makes full use of the expertise available to him from the Department of Trade Commissioners. They know the pitfalls and one of their primary concerns is to help Canadian firms avoid both the rock of Scylla and the whirlpool of Charybdis.

At the same time, no venture into export markets is likely to achieve the success it deserves unless it is given some degree of advertising, promotion and publicity support. The established exporting companies know this. They plan their export marketing carefully and have budgets for advertising and promotion. Their export managers may have had to battle entrenched domestic interests to pry the funds loose in the first place, but once that hurdle has been overcome, the door is open to realistic planning, market by market.

But what about the firm that is just on the verge of moving into this exotic world of international commerce? It may be your own company and you may have given only the most tentative thought to such a step. Perhaps someone in the firm has been convinced by a Commodity Officer from Trade and Commerce that you ought to exhibit in a trade fair coming up four or five months from now. Perhaps you've had a letter from a Trade Commissioner in some foreign country, advising you of a reputable agent who is interested in handling your products in his territory. What do you do now?

Companies which have achieved even minor success in the export field are unanimous about the first step to undertake. They recommend that the would-be exporter analyze his market potential at the earliest possible stage and set up a realistic sales target. From this, an export promotion budget should be established, according to the manufacturer's normal practice in domestic sales.

"If anything," says André Lachance, president of Chemico-Pharmaceutical Co. Inc., "you need to make a larger allowance for export promotion than you would use in your domestic operation." He has earmarked 10 per cent of sales for this purpose. The percentages will vary, of course, from company to company and commodity to commodity, just as they do in domestic advertising.

This is why it is important to establish a base sales figure early in your export planning, so that advertising and promotion plans can be scaled appropriately.

Needless to say, the phrase "advertising and sales promotion" covers a broad spectrum. Sales will have to reach substantial figures before a program of planned media advertising can be contemplated, but there are many other approaches that can be made from the start.

One of these is sales literature. It should be as attractive and effective as the material you use at home, even though the copy approach may have to be quite different. Canadian consumers are fairly sophisticated. They are aware of the uses and applications of most products because they have been exposed to them for years. The same product being launched in foreign markets may require much more precise instruction about its use. But this can be done by changing the text or copy approach, without necessarily requiring major revision of the artwork or design.

If you produce brochures or folders in full color for the domestic market, you should not be satisfied with anything less for your export customers. Because domestic press runs are usually much larger than those for foreign countries, some firms hesitate to use color because of the high expense involved in short printing runs.

This can be sharply reduced by using a technique which has become standard operating procedure within the Department's Trade Publicity Branch. When the English-language version of a brochure is being ordered, we calculate the number of copies required in foreign languages. Suppose the requirement is for 10,000 English, 2,000 German and 3,500 Spanish. We order the color plates to be run for the whole 15,500. (Beyond the cost of paper, this costs little more than 10,000 would.) Then the black plate (which naturally includes all the text) is printed on 10,000 copies in English. New black plates are made for the other two languages and printed separately. This means that, for the cost of one press run and one plate, the booklet is produced in full color for each language.

The importance of providing sales literature in the language of the country where it is to be used cannot be over-emphasized, and the importance of precise translation is paramount. Spanish text for Latin America is quite different from the equivalent text required in Spain. And it is almost impossible to get adequate work done in Canada. Trade Publicity Branch now has a policy of having all translations done in the country where the material will be used.

The need for this was brought home to us on several occasions, two of which stand out in our minds with special clarity. We produced a handsome booklet in Portuguese to accompany a high-level trade mission to Brazil. The post returned one copy to us, with 123 mistakes carefully circled in red. Most of them merely reflected the different use of the language as between Portugal and Brazil. The booklet would have been fine in Lisbon but it made no sense in Rio de Janeiro.

An even more forceful course of instruction was provided for us by our Tokyo post. We sent them an advance draft of a Japanese translation of a booklet which had been prepared in Canada. The Minister (Commercial) in

Tokyo possessed great tact as well as a sense of humor. He mailed us a tear sheet from an American magazine which published what was purported to be a verbatim reproduction of a Japanese instruction sheet for the guidance of English-speaking motorists in Japan. I recall one phrase, admonishing the driver to "tootle the horn melodiously" if a pedestrian were in his path. The general character of the piece could best be described as pidgin English.

A couple of days later, he wrote to say he hoped we had enjoyed the amusing little piece. Then he added: "You may be interested to learn that the text of your proposed booklet reads exactly like this to Japanese. We had our locally engaged staff read it and they were convulsed."

The moral was readily grasped and a new translation was prepared for us in Japan. The Department of Trade and Commerce, thanks to this guidance, did not produce a booklet in pidgin Japanese.

The Canadian firm planning language versions of sales literature would be well advised to contact the Trade Publicity Branch. Our staff will be happy to let you know the name and address of the firm doing out translations in the country concerned and the rates charged. They are surprisingly low in many instances and, since we use only translators accustomed to writing advertising and sales copy, the translation—or adaptation, to be more precise—does the job it was intended to do.

If your first reconnaissance of export potential for your products should take the form of participation in a Department-sponsored trade fair, Trade Publicity Branch can help you make the most of your opportunity. You should, of course, plan to have plenty of appropriate sales literature at your exhibit. Departmental promotion activities are designed to draw as many visitors as possible to the Canadian stand, but it is up to the company representatives manning the displays to sell their products, with the willing help of the Trade Commissioners on duty.

For most trade fairs the Department produces a booklet which is, in essence, a catalogue of the participating firms. The page or two dealing with your company can only be as effective as you will permit. When sending information about your exhibit, your company and your products to Trade Publicity Branch, try to pick out the most interesting aspects of your story for us to present to the trade or the general public, as the case may be. Every product has what advertising people call its "unique selling proposition." This may be quality or price or some special feature, but whatever it is you are bound to be aware of it. Let the Trade Publicity Officer in on your secret and he will be able to prepare more effective copy for your portion of the booklet.

Incidentally, reprints of the page or pages allocated to your company in any departmental publication can always be ordered from the printer at minimal cost. It has always surprised me that more Canadian firms do not take advantage of this opportunity to add to their library of useful sales literature. Because the printing plates have already been made, the most expensive part of the printing job has been done for you.

At major trade fairs, the Department sends a Trade Publicity Officer to the exhibit to maintain contact with local press, radio and TV people and to use publicity techniques to attract as much interest to the Canadian exhibit as possible. If you have something unique on your stand, let him know all about it. He may be able to interest a TV producer in bringing his camera around, or a magazine or newspaper writer in doing a special story on it. All these things can help to heighten buyer interest in your product or service.

Another useful ally in your export promotion activities is the tabloid newspaper, *Canada Courier*, published by the Department and distributed to some 100,000 businessmen in nearly 100 countries. It is produced six times a year in English, twice in German, French and Spanish and in 1966, twice in Arabic. The editor will always be glad to see stories or reports about your new products and to print them if they have sufficient export interest.

Not everyone attracts the same response as that recorded by Chemico-Pharmaceutical Company, Inc., but it does indicate what can be achieved by a single report in this publication. This company manufactures a deodorizing chemical that is now selling in Europe, the West Indies, South America, Australia, Asia and the Middle East. A story on the product was published in *Canada Courier* some three years ago. It produced no fewer than 800 business inquiries, which led to the establishment of more than a dozen distributors and generated a surprising amount of business.

Inquiries were received over a two-month period, as the publication was distributed in various geographical areas. The first one came from the United States and Britain. European countries came next, followed by South America, Australia, the Middle East and India. One result of this graduated inflow was that all inquiries could be processed by the regular staff; if they had come simultaneously, temporary staff would have been needed to deal with them.

When a company's export sales have reached the point where new outlets, rather than simply increased volume from existing outlets, are required, it is probably time to consider media advertising in addition to whatever other promotion it has been doing. Trade Publicity Branch will always be ready to help when the time for this decision arrives by suggesting media and making the benefits of its own experience available to any Canadian exporter.

The products you sell and the character of your distribution system will govern the nature of your advertising approach to a considerable extent but, generally speaking, the trade press is the logical starting point for a media program. Your primary object at this stage is to convince retailers or others in the trade that they can benefit and profit from handling your line.

If you have an advertising agency, the problems of preparing appropriate advertising and selecting suitable media are considerably simplified. The agency can make inquiries for you and recommend media in the full knowledge of rates, closing dates, mechanical requirements, etc. If you do not have an agency, you will have to make these inquiries yourself.

In either event, there are allies you can call to your aid. A qualified Canadian international media representative who acts as an agent for foreign publishers has a good deal of this information in his files and can get data on other publications promptly, as a rule. If you have no agency, he can also reserve space for you, arrange for translations, and even put you in touch with free lance writers and artists who can prepare the advertisement for you.

The largest and most broadly connected Canadian firm in this business is Allin Associates, 915 Carlton Tower, Toronto, and 14 Crescent Street, Montreal. The "media rep" exists to augment the services of, not compete with, advertising agencies. If you have an agency, you can assure your account manager that calling on a media rep's services will not affect the agency commission by so much as a penny.

But even with the co-operation of both an agency and a media rep, there is one more base to touch before heading for home plate. Be sure to consult your sales representative in whose interests you will be advertising. He will often know more about the relative merits of competing publications than your agency or media rep can hope to find out, because he personally reads them. Ask him to airmail you copies of those he is prepared to recommend.

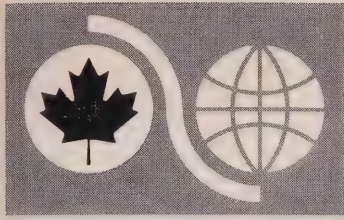
Copies of foreign publications can help you to accomplish two things. Your agency, or whoever produces your advertisement, can see the mechanical requirements in action. More important, the publication will show you and your agency the kind of layout, text arrangement, and artwork its readers are accustomed to seeing and help you to produce more effective advertising. The best designed Canadian layout imaginable may be hopelessly out of place in some foreign publications but until you have seen copies of them, you'll never know it. You can take it for granted that the published advertisements are effective, even if they bear little resemblance to what you consider good advertising.

If you are producing consumer goods, you may eventually want to move farther into the media field — newspapers and consumer magazines, radio and television, posters and point-of-sale advertising. Then you will have to explore the most efficient way of developing these techniques. Some exporting companies use the advertising allowance system, undertaking to allow rebates or cash discounts to their distributors if certain amounts of funds are used for this purpose.

Advertising allowances enable you to concentrate your available funds in those areas where your sales are heaviest but, like so many such techniques, they are a two-edged sword. Some agents will do no advertising and pocket the money as a sort of bonus; others will put it to work for you. There is a Canadian washing machine manufacturer selling in the Middle East who operates on this basis. He sells reasonably well throughout his territory but is particularly successful in Jordan. On a visit to the territory, he found out why. As he drove through the streets of Jerusalem en route to his hotel, he saw his washing machines featured on billboards in strategic areas of the city.

linked with the name of the department store handling them. His Jordanian agent had been using his advertising allowance wisely, in co-operation with the retailer. All three — retailer, agent and manufacturer — were reaping the benefit.

The anecdote illustrates one more fundamental requirement for export success — a requirement already reported earlier in this series. It is this: there is no substitute for being on the ground, in person, if you really want to win world markets.



Licensing Production Abroad

C. F. TERRELL, Vice-President and General Manager,
Export Division, The Canadian Coleman Company Limited.

ARE YOU losing export sales because of import barriers, high landed costs of your merchandise, or inability to compete with other exporters? Are you unable to enter a foreign market for these reasons? Do you have a process or a patent or even a trademark that is of value?

If your answer is "yes" to any of these questions, it is time for you to consider the export of knowhow, commonly referred to as "licensing." Licensing can open up an entirely new and profitable field to those who are prepared to sell to overseas manufacturers drawings, specifications and technical assistance for products and processes that are already introduced or for which there is a need.

Developing countries look to industrialization for economic progress and in pursuing this goal, they frequently impose import barriers to control the need for local manufacturing. Whether or not to accede to this pressure depends upon the potential profit to the exporter who must consider whether to become a "licensor".

The needs of these developing countries also offer opportunities to the owners of manufacturing processes and patents who have never engaged in the export of materials or products.

What benefits should the exporter of knowhow expect to receive from a licensing agreement? These include:

Knowhow fees

Service fees

Royalties

Technical improvements

Exports of components or raw materials.

The knowhow fee usually is the total sum payable for the disclosure of all currently available technical data and for access to future research and development for the licensed products. A down payment is made upon the signing of the agreement and this should be sufficient to cover the cost of transferring the required initial technical data. If no patents are involved or if the product is new and highly desired by the market, the initial disclosure fee should be as high as possible, even at the risk of lower service and royalty fees.

The service fee is calculated as a percentage of sales or as a specific amount per unit or per period of time. It is payable for continuing technical assistance and generally is applied to the remainder of the knowhow fee owing. Frequently the agreement specifies a lower rate of service fee after the payments equal the amount of the knowhow fee.

Royalty, payable for the use of the licensor's trademark and which can be considered the real profit from the arrangement, is generally calculated in the same manner as the service fee but without a later reduction in rate.

It is advisable to keep the service and royalty fees separate because certain countries assess no or little tax on the former but apply maximum rates to the latter. Some countries even place a limit on the amount of royalty.

There is the possibility that the licensee, as a result of your technical assistance, may develop better production methods or other improvements. It is not uncommon for the agreement to specify the free use of such improvements by the licensor.

Licensees may start production by an assembly operation that merely adds a coat of paint. Or they may be dependent, initially at least, on a supply of components or special raw materials. There is profit in this type of export for the licensor.

Frustration is a way of life to those engaged in licensing activities but do not let this deter you from participating in this potentially lucrative business. Manufacturers in the developing countries do not always realize the cost of research and development and consequently the possible savings to them resulting from your technical assistance. This applies also to foreign governments. To convince the potential licensee and the government authorities (when their approval is required) of the value of your assistance sometimes requires a good deal of patience.

Most less developed countries have stringent foreign exchange and import controls and in many instances these extend to licensing agreements.

In the extreme, this form of enterprise is looked upon by bureaucrats as a way of transferring capital abroad illegally. Although they favour local production, they view suspiciously fees and the tied supply of components and raw materials. This attitude adds to frustration and encourages such devices as the payment of royalties in advance.

Too often the formal licensing agreement is lengthy and involved because both parties want to be fully protected. Unless a foreign government must approve the agreement and requires detailed information, it is desirable that it be practical and workable. The document should reflect the thoughts and intentions of both parties, the result of successful negotiations based upon good faith. Competent legal advice is necessary and the services of a local attorney should be secured. The Canadian Trade Commissioner or the Chamber of Commerce can usually supply a list of recommended attorneys.

Some of the basic elements that need to be considered in the negotiation of an agreement are:

1. Determination of the products or processes and/or trademarks to be licensed.
2. Country or area for which the licensee is to have the exclusive or non-exclusive right to manufacture.
3. Is the licensee to have the exclusive or non-exclusive right to sell in the same area or a larger area? The licensor should retain the right to change the territory if conditions make this necessary — for example, if production or sales are not up to original expectations.
4. If licensor's trademark is to be used, determine whether it alone is to be applied to the product or if it is to be in combination with the licensee's trademark. The use of a combination trademark is sometimes desirable, but there should be a provision in the agreement that the joint mark be discontinued if and when the agreement terminates.
5. Determine who will defend trademark infringement. Normally it is the licensor with the full assistance and co-operation of the licensee, but within certain cost limitations which should be in proportion to the income.
6. Determine in the beginning minimum sales or production goals, increasing over the period of the agreement, with the licensor retaining the right to terminate the agreement or be compensated should these minimums not be reached. This is necessary because the performance of the licensee is most important.
7. Are you agreeable to the licensee producing similar or competitive products? Most licensors object and specify this in the agreement.
8. What kind of technical assistance are you able to provide and by what method will it be transmitted? Insure that the control and timing of this assistance are retained by you, the licensor.
9. Your licensee will probably want to send his technical people to your plant and will also expect your engineers to visit him. Specify the maximum number of personnel and frequency of inter-plant visits and who pays the

expense (usually the licensee). Make sure that it is understood that special services are subject to mutual agreement at the time of discussion.

10. You will want to insure that products are manufactured according to specifications and to your quality. Decide whether samples are to be submitted to you at specified times or whether inspection of the licensee's facilities and production will suffice.

11. The licensor should be flexible about changes in design and specifications, (in fact, this is recommended) but you undoubtedly will wish to retain the right to approve these changes.

12. Who will own the technical information you supply when the agreement terminates? Is it to be returned or destroyed or are you agreeable to the licensee retaining it?

13. It is conceivable that the intended licensee may develop from your technical assistance certain improvements or new methods and consequently you should require the reverse flow of technical information and, hopefully, the free use of it.

14. You will want to receive periodic reports on sales, production, etc., as well as to have the right of audit. Exercise this right regularly.

15. What are to be the duration, termination and renewal requirements of your arrangements? Most agreements are for from five to ten years, depending upon the starting time required and the investment of the licensee.

16. Will the licensee have the right to assign or sub-license under your agreement? In most agreements there is no right without the approval of the licensor.

17. The purpose of your contemplated agreement is to earn a profit in Canadian dollars. What happens if the licensee is unable to pay because of exchange regulations? Perhaps the licensee has a foreign exchange account outside of his country from which he would be willing to guarantee payment. In some countries, government approval of the licensing agreement carries with it the automatic right to foreign exchange. Local income and/or withholding tax also affect profits. Be sure your agreement specifies whether your fees are before or after tax.

18. When an agreement is reached, it will be because of the confidence between the parties involved. What is to happen if these or other key personnel change? Should your licensee decide to sell out (perhaps to a competitor) do you want the right to first refusal?

19. If materials, components or parts are to be imported by the licensee, what strings, if any, are to be attached?

20. You cannot be expected to know all the laws and regulations in overseas countries and thus you will find it desirable to make it an obligation of the licensee to comply with those in effect in his country, both present and future.

21. In the event of bankruptcy of the licensee, you certainly will want the agreement to be terminated automatically.

22. Do you expect the licensee to advertise or conduct a sales promotion program? It may be desirable to specify that a certain percentage of sales be devoted to these purposes.

For the uninitiated, the foregoing list provides some of the basic considerations in a licensing agreement. There are numerous publications that give a complete checklist, but it is difficult to establish a standard form of agreement suitable for all situations. Foreign government requirements vary and obviously one must adhere to their customs and laws. Nevertheless, the elements remain the same.

Where does one find a potential licensee? Your distributor may be a candidate or may be able to recommend one. The Canadian Trade Commissioner, the local Chamber of Commerce, the correspondents of your bankers and established "foreign" manufacturers are all in an excellent position to make suggestions.

Licensing offers additional profit to those who are unable to export merchandise, to the expanding international trader, to exporters who are losing a market and wish to maintain their foothold (particularly if their trademark has become well established), and to those who own only a process or a patent of use to others. All will require competent legal guidance.



Getting Help with Export Problems

THE newcomer to the export field need not grope his way nor hesitate because of ignorance or inexperience. Close at hand lie many sources of assistance and advice. The current series has naturally stressed the services offered to him by the Canadian Department of Trade and Commerce. In this article, however, the emphasis is on other sources of export expertise or of help with export problems. These range from associations of exporters or manufacturers to the Provincial Governments, Boards of Trade and Chambers of Commerce (particularly in the larger cities), the chartered banks, and that invaluable institution, the public library.

A short time ago, *Foreign Trade* asked a number of these organizations to set out briefly the services they offer to exporters. Their contributions appear on the following pages.

Provincial Governments

ALL ten provinces in Canada engage in trade promotion in varying degree, though the name of the Department charged with this varies from province

to province (**see list below**). Generally their programs are co-ordinated with those of the Federal Government, and particularly with the established world-wide facilities of the Foreign Trade Service. Some provinces maintain offices in the United States, Britain and Europe and all of them stand ready to assist exporters of their provincial products. In many instances, the assistance takes the form of trade studies of a specific area, including statistics of products imported by foreign countries; information on tariffs, documentation and financing; location of suitable foreign commission agents, importers and distributors; organization of trade missions and seminars, and participation in trade fairs and exhibitions.

The various provincial departments given below make up the Provincial Governments' Trade and Industry Council.

—T. L. STURGESS

*Chairman, Provincial Governments'
Trade and Industry Council.*

Alberta

Department of Industry and Development

British Columbia

Department of Industrial Development, Trade and Commerce

Manitoba

Department of Industry and Commerce

New Brunswick

Department of Industry

Newfoundland

Department of Economic Development

Nova Scotia

Department of Trade and Industry

Ontario

Department of Economics and Development

Prince Edward Island

Department of Fisheries, Industry and Natural Resources

Quebec

Department of Industry and Commerce

Saskatchewan

Department of Industry and Commerce

The Canadian Export Association

THE Canadian Export Association was founded in 1943 with the objective of fostering export trade. It seeks to improve the climate, conditions, facilities and services for all Canadian exporters, in addition to providing information, education and assistance to member firms.

The Association operates on the central idea that export trade today is a matter for professionals. It believes those involved in this trade can derive benefit from working together in a national body, in the first place to make improvements more effectively with a united voice and second, to keep up to date on export practices, techniques and problems.

Under an Advisory Board of Governors, the Association is administered by a 25-man Board of Directors with wide diversification geographically and by type of industry and occupation. The functioning of the Association may best be summarized by a review of the activities of the four main committees which report to the Directors:

1. *The Education Committee* encourages and assists universities and other organizations concerning educational programs in export and international business generally. Information about courses initiated since 1963 by Western Ontario, Waterloo Lutheran and McMaster Universities is available from the Association. Discussions are continuing with other institutions.

2. *The Traffic Committee* deals with questions, problems and policy issues pertaining to international transportation and related facilities and services. In 1965-66, following two shipper/carrier meetings, this committee developed a plan to create a Canadian Shippers' Council. With the support of the Canadian Manufacturers' Association, the Canadian Industrial Traffic League and major industry associations, this Council was organized and incorporated by the end of 1966. Its membership comprises national trade associations whose members are involved in exporting or importing as principals. Its object will be to foster and develop relationships between shippers and carriers and to endeavour to provide a satisfactory system and procedure for resolving differences between them. The Council will provide a forum to enable national bodies to deal collectively with important issues in international transportation and related facilities and services.

3. *The Program Committee* directs and assists the staff in planning the Annual Convention (mid-October at the Seignior Club) and a variety of meetings each year:

Luncheon meetings in major centres with distinguished speakers.

Regional discussion meetings mixing new and experienced exporters.

Educational symposia and seminars on such subjects as long-term financing and external aid, short- and medium-term export financing in co-operation with the Canadian Bankers Association, export credits insurance, U.S. Customs procedures and problems.

4. *The Policy Recommendation Committee* considers and takes appropriate action on policy issues, developments and specific measures or actions which may affect the expansion of Canada's export trade. The effectiveness of the Association's role in seeking improvements has been greatly enhanced by the creation of Advisory Committees set up by this Committee to deal with technical subjects such as export credits insurance, financing, development aid and U.S. Customs matters.

The main Policy Committee and above groups meet periodically with senior officials in government departments and agencies seeking to improve conditions, facilities and services for exporters. Their collective efforts typically result in briefs for submission to government authorities on such matters as the Canadian dollar exchange rate, taxation, credit insurance, financing

and aid programs; in educational or "position" papers for circulation to member firms, the press and others interested; and in the direction of staff activities. In the past year, two briefs were developed concerning U.S. Customs matters which, with Board approval, were submitted to the U.S. Tariff Commission.

In addition to dealing with day-to-day inquiries, the staff produces the following publications:

- *Review and Digest Bulletin*, twice monthly, summarizing items from many publications, reports and addresses of interest to Canadian exporters.
- Information bulletins covering tariffs and documentation and all other items of general interest.
- *U.S. News . . . of Interest to Canadian Exporters* which deals with changes and developments in U.S. Customs, anti-dumping and other legislation.
- *Documentation Guide*—A summary of consular and commercial export documents for all countries, published once a year and amended by bulletins.

A bibliography of textbooks, monographs, and periodical publications dealing with export trade and related subjects is available from the Association's offices in the Sun Life Building, Montreal.

—J. A. McAVITY

President, Canadian Export Association.

The Canadian Manufacturers' Association

EXPORT marketing, to be successful, requires intelligent guidance, practical assistance and above all, accurate information.

Through the combined activities of its specialized head office service departments in Toronto and its division and branch offices across the country, the Canadian Manufacturers' Association meets these requirements. It is in fact, a source of reference on all export matters, catering to both new and seasoned exporters.

Four head office departments are directly concerned with export. They are:

1. *The Commercial Intelligence Department*, which stimulates interest in export activity, guides members towards their most likely markets, and assists in making customer contacts. The Department not only maintains a library with up-to-date statistics and market intelligence but also provides information on specialized subjects such as export credits insurance and financing, trade fairs and exhibitions, foreign aid programs, export agreements, and technical abbreviations. It also provides a low-cost, multilingual translation service.

2. *The Tariff Department*, which provides data on customs tariffs, preferential duties, extra import charges, valuation for duty purposes and dumping duties; country of origin, labelling and other marking requirements; trade areas and blocs; passports, visas and laws affecting business travellers; import

and exchange regulations and quotas. In addition, it covers international trade agreements and negotiations, export entry forms and export permits, and the Canadian Government export drawback provisions for imported goods used for export purposes. The Tariff Department authenticates customs documents, including invoices, certificates of origin and export price lists for foreign countries.

3. *The Transportation Department.* This Department supplies information on freight rates and services of the air and surface carriers, rules and conditions of carriage, port charges, packaging, containerization, marine insurance, and the obligations of buyer and seller with respect to transportation and insurance under the various terms of sale generally used in international trade.

4. *The Legislation Department,* which specializes in information on new developments in commercial law, foreign taxation, agency agreements, trademarks, industrial designs, patents and copyrights. Other services provided by the Association include:

Publications—In addition to its extensive service of circulars and the inclusion every month in *Industrial Canada* of essential export information and articles on foreign trade, the Association produces numerous publications which are widely distributed both at home and abroad. Examples are: *The Canadian Trade Index*, *Export Methods and Services*, *Pricing for Export*, and *Review of Export Procedures*.

Export Study Clubs—Through its Export Study Club organization, with clubs operating in Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, and British Columbia, the Association provides a continuing program of export education from coast to coast. Through these Study Clubs, exporters may discuss common problems and meet every month to hear down-to-earth talks by experts on markets, techniques and international trade topics. As a result of maintaining a high level of interest in export, the Clubs continue to grow. Combined membership now totals well over 1,100.

Export Education—The Association also supports both directly and indirectly a variety of export education programs across the country. It sponsors on a continuing basis courses in export marketing and takes part in a variety of export programs arranged by educational institutions in various parts of Canada.

A vital part of the Association's export service to members is indirect or representational in nature. The CMA has played through the years a responsible, creative part in the development of Canadian trade policies and government services to exporters. It continues to advise and make timely recommendations to government, presenting the considered views of exporting manufacturers, backed by careful research, on such matters as international trade negotiations, export credits insurance and financing, trade representation, fairs and exhibitions, protection of foreign property, and so on. The export policies of the Association are generated from the grass roots

level through a number of specialized committees and sub-committees whose focal point is the Association's Export Trade Committee.

Traditionally the Association has enjoyed and greatly valued a close and co-operative relationship with the Government, in particular with the Department of Trade and Commerce and its Trade Commissioners abroad. This degree of co-operation between the Association and the Department makes it possible to make known to the Government the needs and views of exporters through informal liaison. Matters of policy are, however, dealt with in more formal submissions.

Throughout its 95 years of existence the Canadian Manufacturers' Association has regarded the promotion of Canada's export trade as one of its prime objects. As in the past, it will continue in the future to up-date and improve its services to make expert advice on the techniques and procedures of exporting instantly available.

—MICHAEL VARDY

*Manager, Commercial Intelligence Department
Canadian Manufacturers' Association.*

Boards of Trade

Montreal Board of Trade

THE International Section of the Montreal Board of Trade provides exporters with a number of services. Among these are the following:

1. Assisting members of the Board and visitors in securing representatives or agencies in Canada or abroad and in the sale and purchase of commodities.
2. Providing information on general and specific problems that arise in foreign trade. Some of this information can be drawn from the Board's well-stocked library which contains reference books, such as cable codes (commercial), Canadian and foreign customs tariffs and regulations, foreign technical abbreviations, almanacs, Commonwealth and foreign yearbooks, trade and telephone directories, Canadian, Commonwealth and foreign trade statistics, and releases from various departments of the federal and provincial governments.
3. Maintaining contacts with key people in industry, the Canadian Government, representatives of foreign governments stationed in Montreal, various business and commercial organizations, and others able to provide information on a wide range of topics.
4. Issuing circulars to keep members informed about the enforcement, relaxation, and revision of domestic and foreign controls on trade, foreign exchange regulations, customs tariffs, shipping documentation requirements, business opportunities, and related matters. Two publications are issued regularly. One is *Import-Export Trends*, a monthly, which highlights developments in world trade as reported in various publications received daily from abroad. The second is *Business Opportunities Bulletin*, issued about

every three weeks, which lists trade fairs and exhibitions planned throughout the world, business visitors in or coming to Montreal, and export and import inquiries received.

5. Conducting Export Marketing Clinics, designed to inform or guide firms thinking of entering or expanding their interests in a given market. Two of the clinics held in 1966 dealt with the New York and the New England markets and with the West Indies. Resumés of the Clinics are sent to interested firms.

6. Holding Credit and Collections Clinics four times each year. Members are invited to these clinics to discuss their problems and exchange experiences in this vital area of foreign operations.

7. Conducting a course in Foreign Trade in co-operation with Sir George Williams University, an activity that began twenty years ago. Both businessmen from the community and students of the university attend this course and lecturers are drawn from business and government. These lectures are later mimeographed and circulated to interested members of the Board as well as to those taking the course.

8. Providing office facilities and services and arranging itineraries for foreign visitors representing governments, trade associations, or private companies from abroad and foreign trade missions.

—LORNE TRACEY

*Manager, International Trade Section
Montreal Board of Trade.*

Board of Trade of Metropolitan Toronto

SEVERAL years ago, the Board of Trade of Metropolitan Toronto established an International Trade Department as an expanding phase of business programming. Its activities are twofold: general promotion, benefiting firms engaged in or expecting to launch out into export trade, and advisory and other services offered to individual businessmen. In carrying on its work, the Department co-operates closely with the Department of Trade and Commerce in Ottawa, the Ontario Department of Economics and Development, and the Canadian Trade Commissioners abroad. Periodically, it organizes special trade-promotion projects or meetings in conjunction with other organizations; at the moment, it is co-operating with Expo 67's Business Development Bureau and setting up a business assistance program for visitors to Canada and Toronto this year.

In its regular program, the International Trade Department helps exporters in five practical ways:

1. *Trade information.* The Department receives and answers each year thousands of requests for information from its members and from Canadian and foreign businessmen and governments. These include questions from exporters on ways to begin or increase export trade, and on distribution, research, advertising, finance, documentation, customs regulations, and so on.

2. Round table meetings. This program on export marketing takes the form of meetings, each of which is devoted to a specific export market or markets. The technique used is a practical, rapid-fire exchange of views among all the participants, with a panel of businessmen recently returned from trade missions abroad leading the discussion.

3. Export marketing courses. The Department has conducted four separate evening courses on export, with a total enrolment of about 100. These courses are set up in co-operation with the Federal Departments of Manpower and Immigration and Trade and Commerce and the Ontario Department of Education. Course material is designed to help companies with little or no export experience to establish an effective operating framework.

4. Trade missions. The Board of Trade organizes overseas tours every two years and these give members a chance to explore market opportunities in person. The International Trade Department also helps incoming trade missions and foreign delegations visiting Canada to make contact with exporters in the Toronto area.

5. Publications. The monthly publication of the Department, *Trade Winds*, was recently incorporated into the magazine, the *Toronto Board of Trade Journal*. *Trade Winds* carries over 2,000 separate items each year, with the emphasis on economic topics and trade inquiries, both export and import. The result has been many trade contacts for Board members.

—T. J. HODGINS

*Manager, International Trade Department
Board of Trade of Metropolitan Toronto.*

Vancouver Board of Trade

THE World Trade Committee of the Vancouver Board of Trade offers the following services to Board members interested in export trade:

1. Conducts trade promotion conferences to assist exporters in assessing possibilities in foreign markets, in co-operation with federal and provincial Departments of Trade and Commerce. In May 1966, the conference examined our largest market, the United States.

2. Organizes an annual province-wide "World Trade Week" to publicize the importance of this trade to our economy, thus helping to make a favourable climate for increased foreign trade.

3. Publishes an annual *Ocean Shipping Guide*, listing regular cargo services between Vancouver and various parts of the world, shipping companies and agents, customs brokers, ocean freight forwarders and foreign trade departments of banks.

4. Sponsors an Offshore Trade and Goodwill Mission each year which visits one or more world markets. The fourteenth mission (March 1966) visited nine countries in Africa, from Cairo to Cape Town to Casablanca. Direct sales and purchases were made and the stage set for further trade exploration.

5. Maintains a continuing interest in education of the business community

through its direct sponsorship of the Business Administration Certificate Program conducted by Vancouver City College, which includes small business and export courses.

6. Provides general information concerning export possibilities for locally manufactured or locally available commodities in its monthly *Trade Letter*. It also supplies potential local suppliers who have advised the Board of their interest and capability with written inquiries from buyers abroad and makes appointments on behalf of these buyers when they visit Canada.

7. Provides its members with basic customs and excise information for most countries and with answers to questions on all phases of export promotion, desirable contacts, sources of information, customs tariffs, financing, etc., using the statistics and trade directories it keeps in its office.

8. Promotes and sponsors special shows for manufacturers to assist industry to gain a broader base from which to export. In November 1965, it sponsored with the Provincial Government the B.C. Components Show which displayed parts that local producers might supply.

9. Recommends policies designed to assist trade expansion by watching closely legislation and regulations adopted by the Provincial and Federal Governments.

—A. E. SCOTEN

*Secretary, World Trade Committee
Vancouver Board of Trade.*

Training Courses for Exporters

ALL provincial Departments of Education offer an *Exporting* course, designed to help the manufacturer take advantage of profitable foreign sales opportunities.

This course includes the following topics:

Finding Opportunities in the Export Market

Organizing for Export

Export Documentation and Trade Terms

Financing Exports

Pricing

Special Requirements for Packaging, Marking and Insurance

The technique followed is to introduce a number of typical exporting problems and have participants solve these with the aid of the course leader.

This discussion course is presented to groups of 10 to 25 and may be offered in any community at a convenient time and location and at a nominal cost.

Exporting was developed by the federal Department of Manpower and Immigration, in co-operation with the Department of Trade and Commerce. To date, approximately one thousand businessmen have taken this course. A follow-up entitled *International Marketing* is being prepared.

If you are interested in this course, we suggest that you contact one of the persons named in the following list.

—D. C. COWAN

*Acting Chief, Management Development Division
Department of Manpower and Immigration.*

Business Management Training Program

Supervisor of Small Business Management Training
Department of Education
Victoria, B.C.
Telephone (604) EVERgreen 2-6111

Co-ordinator of Business Management Training
Vocational Educational Division
Department of Education
10080 Jasper Avenue
Edmonton, Alberta.
Telephone (403) 424-8729

Supervisor, Industrial Training
Technical and Vocational Education Branch
Department of Education
Regina, Saskatchewan.
Telephone (306) 527-8551 Ex. 231

Supervisor of Management Training
Vocational Branch
Department of Education
Legislative Building
Winnipeg 1, Manitoba.
Telephone (204) 786-5626

Administrator, Training Business and Industry
Ontario Department of Education
55 Eglinton Avenue East
Toronto 12, Ontario.
Telephone (416) 365-6154

Small Business Management Training Program
Ontario Department of Education
55 Eglinton Avenue East
Toronto 12, Ontario.

Enseignement Spécialisé
Cours de Rationalisation du Travail
Le Ministère de l'Éducation
1005 Chemin Ste-Foy
Québec 6, Québec.
Telephone (418) 693-2700

Department of Education
Charlottetown, P.E.I.
Telephone (902) 894-6611

Director of Vocational Education
Department of Education
Fredericton, N.B.
Telephone (506) GR5-7711

Supervisor
Small Business Management Training
Department of Education
Halifax, N.S.
Telephone (902) 422-7341 local 449

Business Management Program
Collegiate Institute Board of Ottawa
662 Lyon Street
Ottawa, Ontario.
Telephone (613) 236-9981

Assistant Chief, Education Division
Department of Indian Affairs and Northern Development
400 Laurier Ave. W.
Ottawa, Ontario.
Telephone (613) 992-0789

Inquiries may also be addressed to:

Program Superintendent
Management Development Division
Technical & Vocational Training Branch
Department of Manpower and Immigration
340 Laurier Avenue West
Ottawa, Ontario.
Telephone (613) 992-2484

The Canadian Chartered Banks

CANADIAN BANKING has from the beginning possessed a strong international character. Recognition of the importance of international trade to Canada has led the chartered banks to set up foreign or international departments at their main offices and branches and agencies abroad, with much emphasis on the financing of foreign trade, on foreign exchange operations, and on correspondent relations with foreign banks. The Canadian exporter, through his own bank branch, has access to information about markets virtually anywhere in the world and can conduct all transactions from start to finish.

The scope of foreign trade facilities of the chartered banks is world-wide. In addition to about 5,700 branch offices in Canada, they now have more than 200 branches or agencies in 30 other countries. Through this network, the banks provide the means for the settlement of debts between traders for the goods they buy and sell as well as authoritative information on market conditions and the credit standing of prospective trade partners.

The chartered banks also have special resident representatives or affiliated institutions in important commercial centres abroad. These repre-

representatives perform a variety of functions in these financially strategic centres, offering banking services to their customers and maintaining liaison with other commercial banks and financial interests. In places where Canadian banks are not directly represented, they maintain correspondent relationships with more than 5,000 banks in every corner of the globe, wherever their customers choose to do business. Some banks have travelling representatives who visit several foreign countries periodically, thus acquiring a wealth of information as well as a thorough knowledge of facts and men. The information and impressions they gather are made available to Canadian exporters.

The functions of a chartered bank in relation to foreign trade fall into two categories. The first is the handling of foreign exchange: the banks provide the machinery by which the Canadian exporter receives payment for the goods he is sending abroad or the Canadian importer pays the foreign seller of the goods. Foreign currency transactions include all types of transfers, cheques, drafts, currency, bills of exchange, and so on. The second main function is facilitating credit arrangements between buyer and seller, including the furnishing of credit reports and the extension of bank credit or other means of financing the transaction.

In fulfilling these functions for the exporter, the services that the Canadian banker provides most frequently include the following:

1. To appraise, advise and submit surveys, reports on market conditions, sales prospects and import and exchange regulations in Canada and abroad.
2. To prepare reports and advise on the credit standing and reputation of buyers and potential buyers in foreign countries.
3. To handle commercial letters of credit and give guidance.
4. To pay or negotiate drafts drawn by Canadian exporters under letters of credit of foreign or Canadian banks and opened in their favour.
5. To collect time and sight drafts drawn by exporters on foreign importers.
6. To advance money against drafts for collection, or against drafts drawn under letters of credit in favour of exporters.
7. To fulfill orders of exporters in their foreign exchange transactions in the principal foreign currencies for immediate and future delivery.
8. To take care of foreign remittances and transfers.

A Canadian businessman wishing to travel abroad may also avail himself of the services of his bank. The Canadian bank will provide him with travellers cheques and similar items and also supply letters of introduction to banks and other parties.

Several banks also publish booklets and other reports on economic conditions and potential markets in various foreign countries, including new developments in different industrial sectors. These can help the exporter to determine the possibility of exporting to the country covered. From time to time, banks receive requests from foreign buyers and correspondents for the names of Canadian exporters and these requests are passed on to exporting

customers. When necessary, the banks assist in the selection of prospective agents and give advice on local marketing problems. In these fields, the banker co-operates with the Department of Trade and Commerce in Ottawa and with Canadian Trade Commissioners located abroad.

—S. SARPKEYA

The Canadian Bankers' Association, Toronto.

The Public Library

OFTEN the answer to an export problem lies close at hand — in the public library, especially in the larger cities. Our staff in the Business and Economics Department of the Vancouver Public Library, drawing on a collection of thousands of books, trade journals and statistical reports, comes up with the answers to over 60,000 questions a year. Here an exporter has access to facts and figures that help him in assessing markets for his products, in competing effectively abroad, and in the daily conduct of his export business.

Listed below are some of the services to businessmen that our library provided in the course of a year.

1. For local manufacturers of building materials: information on housing starts and construction activity in the U.S.
2. For an engineering firm: data on wage rates in a Middle East country to help it in bidding on a contract there.
3. For an exporter: details on the size and capacity of cranes at a specific European port.
4. For a consumer goods manufacturer: names of purchasing agents for U.S. department stores.
5. For a wood products company: Brussels Nomenclature definitions of wood products for export to Israel.
6. For a local manufacturer: statistics on the Pacific Rim countries to help him prepare a market study for his product. These statistics covered production, consumption, wages, natural resources, etc., for all the countries bordering on the Pacific.
7. For an advertising agency: a list of leading trade journals and business and investment periodicals published in Europe, to select the ones suitable for advertising a Canadian product.
8. For a company planning to set up a branch office in Europe: a summary of business laws and regulations there.
9. For a shipper: establishing the nearest port to the ultimate destination for a shipment of goods.

Librarians are trained in business research methods and can save you time and trouble. Why not make use of them?

—AILEEN TUFTS

*Head, Business and Economics Department
Vancouver Public Library.*



Understanding Foreign Tariffs

Office of Trade Relations.

THE EXPORTER'S INTEREST in the rate of duty levied on his products in countries abroad starts from the time he investigates the market possibilities. He wants to know the duties that apply for various reasons:

- To assess the possibility of selling his product in competition with those of other countries or those produced locally.
- To determine whether the tariff provides for equal, less than equal, or preferential treatment of his product in relation to that of his foreign competitors.
- To find out whether there are any problems of tariff classification affecting his goods.
- To understand any subsidiary question that may arise, such as the dutiable value or weight of his products, conditions under which preferences are granted, the possibility of dumping duties being applied, and so on.
- To ascertain whether, in addition to the tariff, there are other trade regulations or restrictions—such as import controls, consular fees, marking requirements, quantitative restrictions, foreign exchange regulations, food and drug or veterinary or sanitary requirements, and so on. The purpose of this article is to help answer these questions briefly and to explain some of the

technicalities of tariff legislation that confront Canadian exporters doing business abroad.

Tariff systems may be classified as follows:

Single column tariff—this consists of one schedule of duties and each rate is applicable equally to imports from all countries. Duty reductions negotiated by countries employing such a system are usually generalized to apply to all other countries.

Maximum-minimum tariff—this involves the setting-up of two more or less complete columns of duties in the tariff. The lower rate is applicable to countries accorded most-favoured-nation treatment and the higher to other countries. Sometimes maximum-minimum tariffs contain only one column (usually called the minimum tariff) and the rates of the maximum tariff are determined by applying a percentage increase or multiplier to the minimum rates.

General-conventional tariff—the countries employing this system start with a single column of duties and then proceed to establish a second column of conventional duties in negotiation with other countries. This second column includes only those items on which conventional rates have been negotiated and does not therefore cover all tariff items. The conventional rates are applied to countries enjoying most-favoured-nation treatment. On items on which rates have not been negotiated, the general tariff applies. This system is in use in Japan and the United States. The United States has a two-column tariff, with column two rates applying to products of most Communist countries, and column one rates (negotiated rates) applying to all other countries. When no rate is shown in column one, the column two rate applies to all countries.

Preferential tariff—this consists of the reduced rates accorded by one country to another country by reason of a special relationship existing between them—such as among members of the Commonwealth, between France and its overseas territories, between Portugal and its possessions, and the preferences exchanged by the U.S. and the Philippines.

In a separate category are the preferences currently being exchanged among six member countries of the European Economic Community and among the seven member states of the European Free Trade Association. Both customs unions and free trade areas provide for the eventual elimination of internal tariffs. In a customs union, however, imports are subject to a common external tariff; free trade areas, on the other hand, maintain national tariffs on imports from outside countries. In the meantime, the gradual reduction in internal duties in customs unions and free trade areas has already resulted in what amounts to a preferential system. Similar preferences are granted in whole or in part to other countries associated with these groups.

Specific duties are rates levied upon commodities in terms of so much currency according to their weight, number, length, volume, or other units of measurement—for example, 35 cents per pound. Duties are usually ex-

pressed in the currency in use in the country and may be converted into Canadian funds at the current rate of exchange. There are exceptions, however; in the tariff of Chile rates are given in gold pesos. To convert duties to local currency, the rates are multiplied by an established factor of conversion.

Ad valorem duties are levied in percentage terms on the value of the goods landed at the port of destination (c.i.f.), or at the port in the country of origin (f.o.b.).

Alternative duties occur where both specific and ad valorem duties are specified for an article. The rate applicable is the one that returns the higher duty. In a few instances, the lower rate is the ruling one.

Compound duties provide for both a specific rate and an ad valorem rate on the same article.

The simplest form of tariff is one which consists of a single item levying the same rate of duty on all imports. Such a tariff is applied only by a country with a simple economy. As the industry of a country grows and as more and more articles are produced, tariffs tend to become more complex because of the desire to assess duties on a wide range of goods with greatly varying values to protect domestic industry and to encourage the import of essential products.

Tariffs that employ specific duties are apt to become much more highly specialized than those in which ad valorem duties predominate. For example, a single ad valorem rate may be used to cover a wide range of machinery. When levying specific duties on the same machinery, however, it is often found necessary to break the classification down into weight groups, with lower rates applying to the heavier machines. The textile tariffs of many countries display very complex classifications, with rates varying with the component fibre or mixtures of fibres, weight per yard (or other measure), thread count, type of weave, and whether or not the fabric is dyed or printed.

Before the Second World War the tariffs of many countries, particularly those of Europe and Latin America, were based on specific duties and were on this account very complex. Since the war, however, the tendency has been to convert to the ad valorem system. A further trend towards simplification of tariff administration is the adoption by a large number of countries of a standard tariff nomenclature, worked out by an international committee of experts and approved by the countries participating in the Customs Co-operation Council in Brussels.

In spite of some simplification in tariff procedure, the task of administering tariffs presents many problems. It is obvious that even a tariff of several hundred items cannot describe clearly every product that enters into trade. The constant flow of new products and of new materials in manufacturing processes introduces new problems of tariff classification. Frequently two or more items of a tariff may have to be considered in assessing the rate on a particular article, depending upon its use or component material. Disputes over the correct assessment of an article may have to be

resolved by a customs court or tariff board established for that purpose in the importing country.

There are two kinds of duties levied only in special circumstances and under certain specified conditions: anti-dumping duties and countervailing duties.

Anti-dumping duties — the term “dumping” generally refers to the sale of a product for export at a value lower than that normally charged in the domestic market in the country of origin. Dumping may also occur where the exchange rate is used to improve the competitive position of a product for export, resulting in abnormally low prices in terms of foreign currency. Sales at such export prices may be termed exchange dumping. When lower export prices are accounted for by legitimate drawbacks or exemption of the exported goods from direct internal taxes, these sales are not usually regarded as dumping.

To offset the effects of dumping, many countries have introduced legislation providing for the imposition of anti-dumping duties. Such duties take the form of special additional import charges designed to cover the differences between the export price and the home consumption price in the country of export. They are almost invariably applied only to articles of a class or kind produced in the countries of import.

Countervailing duties — these are related to but different from anti-dumping duties. Countervailing duties are designed to offset bounties or subsidies paid on exports by the government of the exporting country and usually are equal in amount to the bounty or subsidy.

In addition to ordinary customs duties, many countries levy extra charges of one kind or another. The most common form is a surtax of a percentage of the duty. Other forms include a package tax, a small extra charge on each package in the shipment. Generally these taxes are used for some particular purpose, such as construction of port works, funds for promotion of social welfare, and so forth. There are also ad valorem import surcharges which may be applied on selected items, such as Britain introduced temporarily for balance-of-payments reasons. The exchange regulations of a country may provide for taxes on imports. The removal of quantitative restrictions on imports may also lead to the imposition of a compensatory import tax.

Of a different kind are the internal taxes collected on imports by many countries. These are usually (but not invariably) levied at the same rate as on similar products of domestic origin. Included in this category are sales taxes, excise taxes, purchase taxes, turnover and transaction taxes and the like.

Consular fees—In many countries, particularly in Latin America, consular fees for legalization of shipping documents are an added (and sometimes substantial) charge on imports. Some of these are collected by consular authorities and others by customs officials at the port of entry.

Prior deposits—Certain Latin American countries have been requiring

importers to deposit local funds of up to 100 per cent of the value of shipment before import. These funds are held by the Central Bank for specified periods of time before being refunded.

When specific duties are calculated on the weight of the goods it is necessary to know not only the rate of duty applicable but also whether the duty is levied on the gross, legal or net weight of the goods. Each country has its own definition of these terms, but generally along the following lines:

Gross weight—weight of the goods and of all interior and exterior containers and packing material.

Legal weight—weight of the goods together with the immediate interior containers. This is employed mainly in tariffs of Latin American countries.

Net weight—weight of the goods without packing materials. In a few countries net weight is defined to include the immediate containers.

Tare—the allowance made for the difference between net and gross weights. This allowance is used to arrive at the dutiable weight. Sometimes such allowance is determined as a specified percentage which varies according to the type of container used. Or, as in Switzerland, the tare allowance as a specified percentage is added to the net weight in order to arrive at the gross weight.

By knowing the basis on which duty is levied on his goods, an exporter is better able to assess the true level of the duty and has some guide to the kind of packing material he should use to reduce the dutiable weight without risk of damage. This is particularly true of products like canned goods and bottled liquids, in which the weight of the containers and packing materials makes up a large share of total weight of the shipment.

Most countries using specific duties use all the foregoing types of dutiable weights, depending upon the commodity. However, in some countries (such as Venezuela, Switzerland and Colombia) most specific duties are levied on the gross weight, regardless of the nature of the goods.

Ad valorem duties are not always applied on the invoice value of the goods; very often some other basis of valuation is used. For example, in many Commonwealth countries duty is levied on the export price or the current domestic value of the goods, whichever is higher. (Current domestic value usually refers to the exporting country, except in Britain, which levies duties on the c.i.f. value or the price the goods would fetch at that time in Britain.) In Australia the dutiable value is either the actual price paid for the goods by the Australian importer or the current domestic value in the country of origin, whichever is higher. In either case, all charges payable for placing goods free on board are added at the port of export.

A change in 1958 in the United States Value Law resulted in the appraisal of most goods on the basis of the price at which they are freely offered for sale or sold in the U.S. in the usual wholesale quantities. This law applies to all goods, with certain specific exceptions which comprise the Final List.

A form of dutiable value now less widely used is the official value.

Under this system the values of imported goods are fixed by legislative or administrative action and are incorporated in the tariff schedules. Among the countries now employing this system are Mexico and Uruguay. In Mexico, the official values are used as a basis for applying ad valorem duty only when they are higher than the invoice price. In Uruguay, the official valuations are used irrespective of the invoice value and are generally considerably lower than the current market prices. To offset this, the nominal ad valorem rates, plus various surcharges, are set at a high level by the Uruguayan authorities.

It is particularly important, therefore, that invoices should show prices in the form required by the regulations of the importing country.

One of the questions that the inexperienced exporter often asks is about preferential tariffs — what they are, and where and how Canadian companies selling abroad can benefit from them. Probably the most important from our point of view is the Commonwealth preference system. Canada, as a member of the Commonwealth, enjoys tariff preferences in many Commonwealth markets. The Commonwealth preferential tariff system as now operating originated in 1898 when Canada granted reduced duties on imports from Britain. By 1907 all the self-governing Dominions had adopted preferences in favour of Britain. Before the First World War, Britain levied duties on only a very limited number of products but by 1919 had agreed to extend preferences to the whole Empire on all dutiable goods.

A notable expansion of intra-Commonwealth preferences took place as a result of the Imperial Economic Conference in Ottawa in 1932. Britain adopted a new and comprehensive tariff on foreign goods, preferences were established in several British Colonies for the first time, and reciprocal trade agreements were concluded among several Commonwealth countries.

Preferences have since been modified and supplemented by subsequent negotiations among various members of the Commonwealth. Under arrangements at present in force, preferential rates of duty favouring Canadian products as compared with those of non-Commonwealth origin are accorded by the following countries:

Australia	Guyana
Bermuda	Jamaica
Britain	Malawi
British Honduras	Malta
British West Indies	Mauritius
British Solomon Islands	New Zealand
Ceylon	St. Helena
Cyprus	Seychelles
Fiji	Tonga
Gambia	Trinidad & Tobago
Gilbert and Ellice Islands	Western Samoa

In the following Commonwealth countries, the preferences Canada enjoys are restricted to a few items, in some instances because the tariff itself is of very limited scope:

Brunei	Gibraltar
Falkland Islands	Malaysia

Some preferences are also accorded to Canada by the Republics of Ireland and South Africa, although those countries are no longer members of the Commonwealth.

The tariffs of the following parts of the Commonwealth do not give preferences to any Canadian products:

Ghana	Sierra Leone
India	Uganda
Kenya	United Republic of Tanzania
Nigeria	Zambia
Pakistan	

To obtain preference, Canadian goods must comply with certain specified conditions which vary from country to country throughout the Commonwealth.

The prime condition in granting preferences is that a certain proportion of the material and labour entering into the product be of Canadian origin. A distinction is usually made between articles which are grown or produced in Canada and those which are manufactured in Canada. The former generally must be wholly of Canadian origin; the latter may contain anywhere from 25 to 75 per cent of Canadian material and labour (depending upon commodity and country).

In most instances, materials of other Commonwealth countries may be included to make up the required content. In Australia the prescribed content must be either Canadian or Australian. In Australia and New Zealand, there is a provision that goods that are wholly manufactured in Canada may contain basic raw materials, or certain specified partially processed materials, of non-Commonwealth origin in any proportion.

Another condition for obtaining preference is that the goods be consigned direct from Canada to the countries of destination. (Shipments to the Commonwealth Caribbean countries are an exception.) This does not mean that Canadian goods transshipped through a non-Commonwealth country do not get the benefit of the preference, but that on leaving Canada their final destination should be a Commonwealth country according such preferences. For example, if the goods are consigned first to a country not entitled to a preference — the United States, for example — and subsequently re-consigned to a Commonwealth country, the benefit of entry at preferential rates is lost.

An agreement between the United States and the Philippine Republic provides for the reciprocal granting of tariff preferences. These preferences, however, are being eliminated gradually by annual reductions in the preferential margins and are due to disappear entirely by 1974. They amounted to 10 per cent of the duties as of January 1, 1965. The preferential agreement between the United States and Cuba which came into effect in 1902 has been suspended and imports into the U.S. from Cuba are practically prohibited.

France and its overseas territories have an extensive preferential system. Preferences are also exchanged between Portugal and its overseas territories.

A customs union is an agreement which eliminates tariff barriers between two or more countries and in which the countries in the union have a common tariff against imports from the rest of the world.

The most notable modern example of a customs union is the European Economic Community established by the Treaty of Rome which came into effect on January 1, 1958. The EEC consists of Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. The Treaty provides for the application of a common external tariff and a phased reduction in internal duties leading to their abolition by July 1, 1968. The rates of duty applicable to goods imported from outside countries have already moved 60 per cent of the way towards complete alignment with the eventual common external tariff. Internal tariffs among the member countries have so far (January 1, 1965) been reduced by 70 per cent for industrial goods and 50 to 55 per cent for agricultural commodities. Certain agricultural products are to be subject to a system of variable import levies rather than to fixed rates of duty. In essence, the import levy is designed to bring the price of imports at least to the level of the domestic price. The formation of a customs union is to be followed by the adoption of common commercial and economic policies.

Greece and Turkey have become associate members of the Community and will eventually adopt its tariff structure. A special Agreement of Association has also been worked out with 18 former dependencies in Africa, as well as with Surinam and the Netherlands Antilles.

The European Coal and Steel Community, with the same membership as the European Economic Community, was designed to establish a common market for coal, iron ore, steel and scrap. While the ECSC provided for a harmonized rather than a common external tariff, it was agreed in January 1964 to apply temporary uniform rates of duty established at the highest level prevailing among the six member countries.

Another example is the fast developing Central American Common Market. This comprises Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

A free trade area differs from a customs union in that the member countries, while removing in whole or in part duties on each other's products, do not have a common tariff on imports from other countries. The most important of such groupings is the European Free Trade Association, which was established for industrial products on May 3, 1960, and consists of Britain, Austria, Denmark, Norway, Portugal, Sweden and Switzerland. Finland became an associate member in 1961. With certain minor exceptions, internal tariffs on industrial goods moving among member states have now been reduced from their previous levels by 90 per cent.

The Treaty of Montevideo established in June 1961 a similar grouping known as the Latin American Free Trade Association. Its membership now consists of Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.

In addition to the Commonwealth preference system, Canada's tariff

relations are also governed by the General Agreement on Tariffs and Trade (GATT), commercial agreements and trade treaties, and some less formal agreements. All these arrangements are intended to protect Canadian trade against discrimination in the application of foreign tariffs.

The chief feature of all these arrangements is that they provide for exchange of most-favoured-nation treatment among the contracting parties to the General Agreement. This means that the contracting parties agree that each will accord to the goods of the other the benefit of the lowest duties applied to similar goods originating in any other country. There are some exceptions to this rule. For example, there are provisions that the preferences exchanged among members of the Commonwealth may not be claimed by countries outside the Commonwealth, on the grounds that these were in existence before the entry into force of the GATT. Similarly, preferences exchanged exclusively between the United States and the Philippine Republic, France and its overseas possessions, and similar arrangements based on historical, political or geographical grounds are excepted from the application of the most-favoured-nation principle.

Canada signed the Protocol of Provisional Application of the General Agreement on Tariffs and Trade on October 30, 1947, and it went into force on January 1, 1948. GATT, as well as assuring most-favoured-nation treatment among the contracting parties, provides for scheduled tariff concessions and lays down rules and regulations to govern the conduct of international trade.

The first round of GATT tariff negotiations at Geneva in 1947 involved more than one hundred bilateral negotiations and the results were consolidated into a single comprehensive annex to the Agreement, divided into schedules. These schedules covered some 45,000 separate tariff items.

Subsequent rounds of tariff negotiations at Annecy in 1949, at Torquay in 1950-51, and at Geneva in 1956 and again in 1960-61, extended these concessions to many other items and have attracted more countries to join the GATT. At present GATT membership covers 70 contracting parties. An additional 6 countries comply with the articles of the GATT either as provisional members or under special arrangement and eight countries are members on a de facto basis.

At a meeting of Ministers in 1963, it was agreed to hold comprehensive trade negotiations in 1964, which would seek to arrive at substantial reductions in tariffs across the board. This resolution led to a further meeting of Ministers in May 1964 which opened the Kennedy Round of trade and tariff negotiations currently under way in Geneva. These negotiations cover all products, agricultural as well as industrial, and non-tariff barriers as well as tariffs. Ministers also agreed that the negotiations should provide for the expansion of the trade of the developing countries.

Although they are not of particular concern to Canadian exporters, export duties are mentioned briefly to complete the tariff picture. Most export duties are levied to raise revenue and, since there is no desire to handicap

exports unduly, they are usually very low. In some cases there may be a protective implication, as when a country wishes to discourage the export of a product in short supply and needed for domestic industry. Not many countries impose export duties. Usually export duties are levied on only a limited range of products, but one or two countries apply them generally.

Import restrictions are frequently used in place of, or in addition to, tariffs to regulate imports. They provide for a more precise method of control whereby imports can be limited to certain predetermined amounts or prohibited altogether.

Quantitative restrictions or other similar forms of import control have been adopted in many countries. They began to be widely used between the two wars and after the Second World War became quite extensive. They have been used chiefly in countries with balance-of-payments difficulties but have also been employed as a device for protecting home industries.

Import restrictions take many forms. Sometimes they are "global" quotas in which the amount to be imported from the world is fixed and the supplying countries compete for a share of the quota. Or individual quotas may be established for each supplying country with the amount usually based on proportions supplied in some previous period. These two methods may be combined by first setting up a global quota and then allocating shares of this quota to various countries. In still other instances, no quotas are announced and imports are regulated by licences which are issued to (or withheld from) individual importers on the basis of each application as it is presented.

Another form of limiting imports is exchange control, in which the restriction applies not to the goods themselves but to obtaining exchange to pay for them, with a similar restrictive effect on imports. In conjunction with this type of control, some countries classify imports and provide funds at officially set rates of exchange for each category. The more favourable treatment is accorded to goods considered essential to the economy. The same result is achieved in some other countries by levying exchange taxes at various rates in accordance with the priority accorded to the product.

The General Agreement on Tariffs and Trade prohibits in principle the use of quantitative restrictions on imports. However, because it is recognized that this may not be immediately attainable in every country, certain clearly defined exceptions are permitted. One of these is that products of a kind which are controlled internally, such as agricultural and fisheries products, may be subject to import control. Any such restrictions must be non-discriminatory—that is, applicable equally to imports from all countries. The GATT also permits the temporary imposition of restrictions for balance-of-payments reasons. In this case discriminatory application of restrictions as between sources of supply may be employed.

In recent years, the improvement of the balance-of-payments position in most industrialized countries has permitted the dismantling of many of the import controls imposed during the postwar period.

In compliance with these import controls, it is important that Canadian exporters make sure before shipping goods abroad that their customers have fulfilled all the licensing and other documentation requirements. If a licence is necessary, the customer usually informs the exporter of the licence number or sometimes sends him a copy of the licence itself. (The whole subject of documentation requirements is covered in the chapter that follows.)

Trade with state-controlled economies, such as those in Eastern Europe, poses a particular problem for the Canadian exporter. Foreign trade in these countries is a monopoly of the state. Transactions are carried out exclusively by state corporations, each of which deals in a specific category of goods, and buys and sells in accordance with the targets set by that country's short-term or long-term economic plans. This state control makes tariff concessions rather less meaningful than those granted by a market economy such as Canada's. To achieve some degree of reciprocity with state-trading countries, therefore, Canada normally requires that the exchange of most-favoured-nation treatment on which most trade agreements are based be supplemented by a firm commitment on their part to purchase minimum quantities of Canadian goods. Agreements along these lines have so far been concluded with the Soviet Union, Bulgaria and Hungary.

The whole field of foreign tariffs and trade regulations is a complicated one and the inexperienced exporter particularly may need further information. He should get in touch with the Office of Trade Relations in the Department of Trade and Commerce, Ottawa. One of the primary purposes of the Office of Trade Relations is to provide this service to the business community. The Office in each of its five area divisions (United States, Commonwealth, Latin America, Asia and Middle East, Europe), has on file as complete a collection of the tariffs of the world and other relevant legislation as it is possible to obtain. This is kept up-to-date by official amendments received from Canadian commercial representatives in the field. Official information is further supplemented by notices and news items appearing in official gazettes, trade papers, bank reports and reference works and by similar material received from many sources. Translations of tariffs are supplied by the International Customs Tariffs Bureau at Brussels, an organization founded in 1890 to which all the major trading nations, including Canada, subscribe.

Changes in foreign tariffs and other trade regulations of interest to Canadian exporters are published in *Foreign Trade*. Normally, this information appears as a notice in the section "Foreign Tariffs and Trade Regulations"; however, in certain instances an article may be published explaining the implications of particularly important developments. To ensure as wide-spread coverage as possible, this information is often also sent to the firms and associations on the Department's mailing list.

In requesting information about tariffs, the exporter should indicate the countries in which he is interested and describe the product in as much detail as possible, with particular reference to its use and component materials.

Illustrated catalogues or brochures describing it also help in determining the tariff classification. If the tariff classification is not clear or cannot be easily determined from the information available, the Office of Trade Relations is in a position to request an official ruling from the Customs officials of the country concerned, through the Departmental offices abroad. The Office can also assist an exporter who, through some inadvertence, finds himself in difficulties with the Customs authorities of another country.



Documenting Export Shipments

Office of Trade Relations.

AN EXPORT SHIPMENT when it leaves Canada must be accompanied by certain documents in order to fulfill the Customs requirements of the importing country. The authorities of the importing country may require documents of a specified kind, processed in a particular way, for a variety of reasons.

The main use of Customs documents is to provide a complete and specific description of the goods so that they can be correctly assessed for duty purposes. The documents may also be necessary for the administration of exchange control regulations and quantitative restrictions in force in the importing country, and for statistical purposes. Careful attention to every detail in completing them means that the goods can be cleared through Customs with the least possible delay and fines and other adverse consequences avoided.

The documents most frequently required in export trade include the following:

Consular invoice	Commercial invoice	Certificate of origin
Certificate of value	Ocean bill of lading	

Other documents that the exporter may have to provide are:

Packing list	Health certificate	Import licence
--------------	--------------------	----------------

The consular invoice is the most exacting document an exporter is likely to encounter and it must be prepared meticulously. It is most generally needed in Latin America but a few other countries also require it. The consular invoice is a form calling for a detailed description of the goods, with spaces for showing marks, numbers, weights (usually in the metric system), value and origin of the goods, and a declaration about the accuracy of the contents of the invoice. The form can usually be obtained only from the Consul of the importing country and must be submitted to him for legalization. In some instances, commercial stationers stock these forms for sale to exporters. The consular invoice is frequently in the language of the importing country and must be completed in that language. It must contain no errors, either in typing or data. Erasures or strike-overs in typing, pen-and-ink changes or additions are not allowed. In some countries the goods must be described in terms of the tariff of the importing country and the number of the tariff item shown; the agent will furnish the required description and it must be used exactly as given. Errors or changes, even if unintentional, often lead to a fine. The responsibility for paying the fine rests with the importer but if the fault is with the exporter, the importer will invariably deduct the amount of the fine from the remittance or request the exporter to allow for it.

The commercial invoice is usually supplied on the exporter's own form but the content must comply with the requirements of the importing country. In some countries, particularly those of the Commonwealth, the commercial invoice must be prepared on a special form prescribed by the Customs authorities of the importing countries. Such forms—sometimes referred to as customs invoices—can usually be obtained from commercial stationers. Countries which require a consular invoice also require a commercial invoice, which serves to support and confirm the information given in the consular invoice. In other countries, it serves the same purpose as the consular invoice—that is, giving the importer the necessary information to clear the goods through the Customs.

The main purpose of a certificate of origin is to establish the right of the goods to preferential duties to which the importer may be entitled. They are thus required for Canadian goods in many parts of the Commonwealth. In the few instances where a certificate of origin is required in other than Commonwealth countries, consular legalization is usually demanded and in some, certification by a Chamber of Commerce or other similar organization.

Values shown in an invoice frequently have to be confirmed by a certificate of value signed by the exporter and stating that the invoice contains a true and full statement of the price paid for the goods and that there is no other understanding between the exporter and the buyer about the purchase price. A declaration of this kind is usually included in consular invoices and frequently added to commercial invoices. Forms of invoice prescribed for shipment to most countries of the Commonwealth incorporate a certificate of value. Sometimes the value of the goods must be certified by a Chamber of Commerce or similar organization.

The customs regulations of most countries specify the number of copies, either negotiable or non-negotiable, of the ocean bill of lading that must be supplied for Customs purposes.

A bill of lading may either be a straight or an order bill. A straight bill of lading is made out to a specifically named consignee and is a non-negotiable document. In arranging for collection or acceptance of the draft, the shipper, and contracts to move it. With these bills of lading it is possible for the consignee holding the arrival notice to obtain possession of the goods without the surrender of the original bill of lading.

An order bill of lading may be made out either to order of the foreign consignee or his bank, or to order of the shipper, his bank or another especially designated party; the title to the goods is given by possession of the bill bearing the shipper's endorsement. Often the endorsement is in blank, thus vesting the title in the bearer of the bill and making it a highly negotiable document. In arranging for collection or acceptance of the draft, the shipper, in addition to turning over to the bank or agent the two or more negotiable copies of the bill of lading together with essential documents, will give specific instructions on the conditions under which the shipping documents are to be transferred to the buyer of the shipment. Although order bills of lading are in common use, certain Latin American countries (such as Venezuela, Colombia, Ecuador and Brazil) either prohibit or make the use of them sufficiently difficult that the exporter has to (or finds it advisable to) switch to a straight bill of lading. Consequently the customer or agent should always inquire about the type of bill of lading which is acceptable to the country concerned.

Where to-order bills of lading cannot be used, it is well for the shipper to satisfy himself about the financial status and reliability of his customer or the broker to whom the goods are consigned, or to protect himself against any possible financial loss.

Two or three negotiable or signed bills of lading are usually issued, plus as many more non-negotiable copies as may be required. These are clearly marked non-negotiable. Where these bills have to be presented in duplicate or triplicate at the Customs of a foreign country, it is usual to supply one negotiable copy with each set of documents, plus as many non-negotiable copies of the bill of lading as are needed.

Because the consignee requires a negotiable bill of lading and related documents to clear the shipment, documents should be forwarded either by the same ship that carries the merchandise or by mail in advance. Failure to produce the necessary clearance papers when the merchandise arrives may lead to severe penalties or excessive storage charges.

To avoid any possibility of loss in transit, it is usual to forward two complete sets of documents, each with a negotiable bill of lading, in successive mails to the consignee or to the bank or agent which is to hold this document for collection. The third negotiable bill of lading is usually retained by the shipper or bank in case of emergency.

Where the shipper's draft is negotiable through the bank or the bank is required to act as collector for the shipper, all negotiable copies should be turned over to the bank so that it may have complete control of the shipment.

Bills of lading made out to order generally bear instructions to the steamship company to notify the consignee upon arrival of goods at the port of discharge.

An ocean bill of lading may be either a direct bill of lading or a through bill of lading. The distinction between the two is that the direct bill of lading covers shipment between direct ports of loading and discharge of the initial carrier concerned. Through bills of lading cover shipments from or to ports by more than one steamship line. The initial carrier transports the goods to a port of transshipment, where they are transferred to another steamship line for on-carriage to the port of ultimate destination.

A packing list is not generally prescribed by the customs laws of importing countries. However, it is used to supplement the commercial invoice when numerous units of the same product are being shipped or when the quantities, weights or contents of the cases may vary. Generally a separate list is prepared for each package showing its weight, measurement and contents. It often includes the outside dimension of each case and the total cubic content and total weight of the shipment.

Many countries call for a certificate of health or sanitary certificate when animals, animal products and plant products are shipped. This is to ensure that the goods shipped are free from disease and insect pests or, for food products, that they have been prepared in accordance with prescribed standards. These certificates are usually issued by the appropriate government authority in the exporting country. In Canada, the Department of Agriculture (or for processed food products, the Department of National Health and Welfare) provides this document. When the shipping documents require consular legalization, this health certificate must be included with the documents submitted to the Consul.

Certain countries require the importer to obtain an import licence before placing his order abroad. For example, in most Latin American countries where licences are required, a copy of the import licence must accompany the shipping documents when these are presented to the Consul for legalization. (The overseas customer will, of course, supply the exporter with the necessary document.) Even when the exporter does not require a copy of the licence, he should always make sure that his customer has complied with the licensing regulations of the importing country before he ships the goods.

Many countries will accept documents which combine some or all the features of those described above. For example, shipments to many Commonwealth countries may be covered by a commercial invoice on a prescribed form; the other side of the form carries a certificate of origin and of value. A declaration of origin may also be incorporated in the consular in-

voice form. A commercial invoice may be converted into a consular invoice by requiring it to be legalized by the Consul.

The only documentation that the Canadian Government normally requires for exports from this country is the Customs export entry form B. 13 and in certain instances—depending upon the kind of goods or the country of destination—an export permit.

The export entry may be obtained at local Customs offices and is used mainly for statistical purposes. It requires a description of the goods, the quantity, value and destination and whether they originate in Canada or are goods of foreign origin being re-exported.

An export permit is required for all goods intended to be shipped to any destination listed in an Area Control List established under the Export-Import Permits Act. Certain goods enumerated in an Export Control List, also established under authority of the Export-Import Permits Act, need a permit when shipped to any destination. This, however, does not apply generally to exports to the United States. Applications for export permits and information about the rules governing their use may be obtained at Customs offices or direct from the Transportation and Trade Services Branch of the Department of Trade and Commerce.

Documentation requirements vary from one country to another and change from time to time, although efforts are continually being made to simplify and standardize them. The scope of this article does not permit a detailed discussion of regulations on documentation in individual countries, but the sections that follow give a general indication of the requirements in the major geographical areas.

In many countries of the Commonwealth, goods of Canadian origin receive preferential tariff treatment—that is, rates of duty lower than those applicable to similar goods from non-Commonwealth sources. Two main conditions must be fulfilled to entitle goods to tariff preference. First, the goods must be Canadian products within the meaning of the preference regulations of the country concerned. Second, they must be consigned direct from Canada to that country, with the exception of Britain, where Commonwealth origin is the only stipulation, and of the Commonwealth Caribbean.

To enable his customer to claim entry under preference, the Canadian exporter must supply a certificate of origin. For most preferential markets, the certificate of origin is combined with a certificate of value and an officially prescribed form of invoice in a single document. The text of this document varies (though in many cases only in minor details) with the country. It is important therefore that the exporter use the correct form for the country to which he is shipping and that he does not, because of apparent similarity, substitute a form prescribed for some other area. The form of invoice and the certificate of value should be used for all shipments. The portion relating to origin, however, normally needs to be filled in only when claiming preferential tariff treatment.

There are two basic versions of the combined document. In one, the form of invoice has columns calling for both the current domestic value in Canada and the selling price to the purchaser abroad. The combined certificate of value and of origin in this form contains appropriate declarations regarding the basis for the current domestic values shown in the invoice and the grounds on which the goods qualify as products entitled to preference. For Australia and New Zealand the form is amplified, particularly the certificate of origin, to meet the requirements of the respective Customs laws.

The second basic type is an abbreviation of the first. The invoice calls only for the selling price to the overseas importer and the certificate of value is correspondingly shortened.

Britain is a notable exception. There is no official form of invoice and usual commercial invoices may be used. A certificate of value is not required. For claiming preferential treatment, four different kinds of certificates of origin have been prescribed. One of these is for goods which must qualify as the "growth or produce" of Canada—that is, such goods must be wholly Canadian. Another is a special certificate for sugar and tobacco. The remaining two are for goods which have been sufficiently processed as to be regarded as manufactured articles. These qualify for preference if a prescribed proportion of their factory cost has been incurred in a Commonwealth country. In support of the Canadian "content" claimed in these certificates, the overseas manufacturer may be asked for details of expenditures on materials, labour and overhead.

In any preference area, the importer may be asked to produce bills of lading or similar documents as proof of direct consignment. Transshipment in a foreign country is usually permitted but then a chain of evidence of direct consignment becomes necessary.

Shipments to India and Pakistan, which are among the Commonwealth countries not granting preference to Canada, require no special form of invoice; however, all copies of the commercial invoice have to bear the original signature of the shipper.

Preferential tariffs in the Commonwealth and the conditions under which they are granted were dealt with in more detail in an earlier chapter.

In general, the only documents required when shipping to the U.S. are a bill of lading and a commercial invoice. The United States Customs, however, requires a completed Customs Invoice Form 5515 for any shipment of goods valued in excess of \$500.00 and subject to an ad valorem rate of duty. Supplies of form 5515 are readily available from all U.S. consular offices in Canada free of charge, or from commercial stationers at nominal cost. Although only one copy of the Customs Invoice Form 5515 is required by the U.S. Customs, it is usually well to prepare three copies: one for the use of the U.S. Customs when the goods are examined, one to accompany the entry papers, and one for the customs broker's file.

For shipments valued at less than \$500.00, duty-free shipments, or shipments of articles subject only to specific rates of duty, copies of the

commercial invoice are sufficient. For certain goods, additional information must be shown when either the special customs invoice or a commercial invoice is used. In general, these further details are required only when the ordinary description of such products does not give sufficient information to classify and appraise them properly. If the required special Customs invoice (form 5515) or the commercial invoice is not available at the time of entry into the United States, a statement in the form of an invoice (known as a pro forma invoice) must be filed. The consignee prepares this pro forma invoice and in addition gives a bond undertaking to file the required invoice with the Collector of Customs within six months of the date of entry.

As already indicated, the chief characteristic of Latin American documentation is the consular invoice required by 12 countries in that area. In Chile, the regulations call for a combined commercial invoice and certificate of origin; in Bolivia, Brazil, Costa Rica, Guatemala, Mexico and El Salvador, the commercial invoice is the principal one. Chile and Costa Rica are the only Latin American countries which do not require consular legalization of the documents.

Fees for legalization of documents vary greatly and often are substantial. In some countries there is a flat fee of so much per set of documents; others charge fees on the value of the shipment as shown in the invoice—going as high as 8 per cent ad valorem in some cases. Some fees are collected by the Consul who processes the documents; others are paid by the importer at the port of entry. The cost of forms when purchased from Consuls is often as high as \$6 per set.

For most European countries the only documents needed for customs purposes are the commercial invoice and bill of lading. In a few countries a certificate of origin must also be supplied for some shipments. In Spain the certificate of origin, when required, must be legalized by the Consul. With these exceptions, documents for shipments to European countries do not require consular certification.

The documentation requirements of European countries have been generally adopted by their former possessions in Africa.

For all countries in Asia and the Middle East, excluding Commonwealth countries, the commercial invoice (giving full details of the shipment) and the bill of lading are among the documents required for customs purposes. These documents, without consular legalization or Chamber of Commerce certification, are all that is normally required for shipments to Burma, Indonesia, Israel, and Thailand. The commercial invoices may be prepared by the shipper on his own form, provided the information required under the regulations is supplied.

For Saudi Arabia and the United Arab Republic (Egypt), a special certificate of origin must be certified by a Chamber of Commerce or similar organization.

For Lebanon and Syria, the commercial invoice may be combined with a certificate of origin and requires certification by a Chamber of Commerce

or similar organization and for Lebanon, by a Lebanese Consul, if there is one in the place of shipment.

For Jordan, the commercial invoice valued at over \$60.00 Canadian currency must be certified by a Chamber of Commerce.

Japan requires a certificate of origin for goods granted concessions under the General Agreement on Tariffs and Trade (GATT). This must be legalized by a Japanese Consul if there is one at or near the port of shipment, otherwise by a Chamber of Commerce.

Consular invoices are required for shipments to Liberia, the Republic of the Philippines, Taiwan and Turkey. For exports to Iraq which are not of Canadian origin, consular legalization of manufacturer's invoice is required.

There are many exceptions to the general rules. The requirements vary not only from country to country but also within each country for different commodities. The outlines given here apply mainly to shipments by freight. The procedures for shipments by parcel post and air cargo usually differ in some respects and in most countries are not quite as strict or exacting. Nevertheless they must be followed precisely to avoid difficulty.

Documents should be prepared in time to get them into the hands of the importer before goods reach the port of entry. The regulations of some countries prescribe that documents must be presented to the Consul for legalization within a specified time—often before the ship sails or at least within a day or two after sailing. Failure to comply can result in severe penalties. The papers should be sent to the consignee by airmail whenever possible.

Exporters frequently find it advisable to have their shipping documents prepared for them by shipping agents many of whom, through long experience and exact knowledge of the requirements, are able to perform this service efficiently. They not only fill in the forms in the language required (translating if necessary), but also present the documents to the Consul for legalization when this is called for.

Finally, the exporter would be well advised to follow any instructions he receives from his overseas agent or customer. Sometimes the reason for a particular instruction may not be clear and the exporter may be tempted to ignore it because of the added burden. Such short cuts, however, may be dangerous and he should avoid them at all costs.

The Office of Trade Relations has compiled detailed information on documentation requirements for individual countries. In addition, this material has been prepared in summary form for Europe, the Commonwealth, Latin America, the Middle East and the Far East. These pamphlets are available on request.

The Office can also supply information on any country not included in this series and is prepared to assist with any special problems that may arise. The Canadian Manufacturers' Association, the Canadian Export Association, and—in the larger cities—Boards of Trade and Chambers of Commerce are also equipped to advise exporters on documentation.



How to Mark and Label Export Shipments

Office of Trade Relations.

THIS SERIES on export techniques has stressed the importance of complying with import and sales regulations laid down in other countries. Among these regulations are those on the marking and labelling of goods or of their containers. Because of the varied types of marking regulations in force throughout the world, it is possible in a short article only to outline briefly the chief requirements an exporter may have to meet. Countries are named merely to give examples of the various types of marking legislation in force. This should not be taken as a complete description of that country's requirements nor does it mean that similar ones do not apply in other countries not mentioned. The exporter may obtain detailed information on specific regulations by writing to the Office of Trade Relations, Department of Trade and Commerce, Ottawa.

Marks of origin regulations are of two broad types. First, there is the regulation requiring that a mark of origin be placed on goods irrespective of any other consideration. This, for convenience, may be referred to as a compulsory mark. Second, there is the regulation which requires a mark of origin only when its absence creates a false impression about the origin of the goods. This is known as a corrective mark.

Compulsory marks of origin are not as universally prescribed as export-

ers sometimes suppose. A few countries insist that all imported goods which can be marked must be marked. In others, marks are required only for specified products.

Under the United States Tariff Act, all imported articles must be marked in a conspicuous place with the name of the country of origin in English in such a manner that the marking will remain on the article until it reaches the ultimate consumer. Certain exceptions are made for articles that cannot be marked, those that cannot be marked without injury, and those that could only be marked at prohibitive cost.

Marks of origin are prescribed for imported goods in general in Argentina, Cuba, Uruguay and the Philippine Republic. In Chile all goods ordinarily consumed by the public must be marked to show the country of origin. Mexico requires an indication of origin for goods bearing trademarks registered in Mexico if the manufacturer wants full protection under the Mexican trademark law.

An exporter writes: "I am making a shipment of Canadian-produced automobile tires to England. Must they be marked with the name of the country of origin and if so, is there any requirement on how the marking must be done?" This is typical of many of the questions received by the Office of Trade Relations.

Britain has issued compulsory marking orders for an extensive list of products and the answer to the tire exporter's question is that, for this particular shipment, the tires must be marked either "Made in Canada" or simply "Empire". The mark must be moulded on the wall of the tire so as to be visible when it is fitted to any wheel. It must also be printed or stamped indelibly on the wrapper or other container (if any). Similar requirements apply to many (but by no means all) products imported into Britain. Generally speaking, the mark must include the actual name of the country of origin or alternatively, indicate whether the goods are of "Empire" or "Foreign" origin.

New legislation regarding marking and labelling is being prepared in Britain, but it is understood that the British authorities will give adequate advance notice before putting into effect any changes in present requirements.

Other countries which have fairly long lists of products on which the origin must be marked include Australia, Denmark, France and Norway. Many other countries prescribe marks of origin for a few products.

A false impression of the origin of goods may be created in a number of ways, often quite unintentionally on the exporter's part. It may arise because of similarity of place names, from including the address of the purchaser or import agent on a label, or even from the use of a particular language in describing the goods. Most countries prescribe the use of a corrective mark of origin in such instances, even if it is not otherwise required. The United Kingdom Merchandise Marks Act, for example, provides that where goods bear a trade description which includes a name resembling that of a place in Britain or the name of a British dealer or trader, a counter-indication of

origin must correct the false impression thus created. In India, Pakistan and Ceylon, goods bearing descriptions in English but not produced in Britain are considered to be falsely described unless they bear a definite and adequate counter-indication of the true country of origin. Similarly, goods exported to Brazil bearing labels in Portuguese but not products of Portugal must show the true origin.

The exporter should take care in using trade descriptions with regional connotations (e.g., English walnuts, Spanish onions, Roquefort cheese), since these may, if the goods do not come from the place designated, either be prohibited or require a counter-indication of origin.

The regulations usually specify the manner in which the marking should be done and sometimes the minimum sizes of lettering. The mark should, in any event, be legible, conspicuous and indelible. Where it is used as a counter-indication, it must be in close proximity to, and as conspicuous as, the mark it is intended to qualify. The name of the country alone is not always enough. Some countries require that the name be accompanied by such phrases as "made in" or "produced in". English or French wording for Canadian products is generally acceptable, but in some instances the language of the importing country must be used.

The responsibility for marking goods with the name of the country of origin does not always lie with the exporter. Sometimes the requirement is that the mark be placed on the goods before their sale in the country of import; then it is the importer who is responsible for marking the goods. Nevertheless, it is advisable whenever a mark is required for the producer of the goods to provide it, because often this can be done more easily during manufacture or preparation of the shipment for export.

Many countries have detailed requirements for the labelling of such products as prepared foods, beverages, and pharmaceutical and toilet preparations. The purpose is to assure the purchaser of the quality and quantity of the goods he is purchasing. Labels may have to include the name and address of the manufacturer, list of ingredients, weight or volume of contents, and other relevant information. Frequently these descriptions must be in the language and weights and measures system of the importing country. In some countries, products of this kind must be registered with the authorities of the importing country and the registration number included on the label.

Marks and numbers put on outside containers should, of course, be large enough and legible enough to ensure that the goods reach their destination safely. They must also permit the containers to be clearly identified with the corresponding shipping documents. Some exporters suggest that in shipping goods that might attract the pilferer, "blind" marks should be used which will not give away what is inside. These blind marks should be changed frequently. In the same way, advertising on the containers sometimes draws unwelcome attention. When secondhand containers are used, the old shipping marks should be carefully removed to avoid confusion.

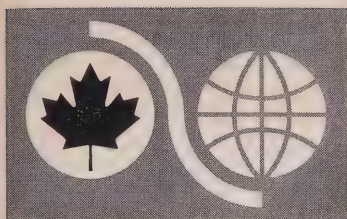
Some countries specify precisely the marking to be used. The specific

tions may include the size of the lettering, the position on the containers, the method of applying the marks (brush or stencil), the system in which weights and measures must be given, and so on. Often the use of any but stencilled marks is prohibited.

Cautionary marks are sometimes a problem in ports where the cargo is handled by illiterate dockworkers. In such cases, symbols that are understood everywhere can come to the rescue. For example, the universal sign for "Fragile" is a wine glass.

The protection and use of trademarks is covered in the chapter "Protecting trademarks in Foreign Markets".

Other marks which an exporter may have to use include hallmarks for precious metals, marks relating to quality and standard, date marks on perishable products, special marks for explosives and other dangerous materials, and so on. Any trade description attached to a product should, of course, be accurate. The use of national symbols such as coats of arms, flags and the like is frequently restricted. The use of Red Cross (name or symbol) is prohibited by international convention.



Foreign Patents and the Exporter

ALAN SWABEY, Alan Swabey & Co., Montreal.

YOU need only scan the report of the Secretary-General of the United Nations, *The Role of Patents in the Transfer of Technology to Developing Countries*¹, to see that patents are here to stay as a tool of international trade. But they can be a two-edged sword. A deft commercial thrust under patent protection may help to gain access to a new market or an attempt to develop one may be parried by a hostile patent. Between these extremes are many possibilities to help or hinder the foreign trader in his operations.

Members of a recent panel of the Patent and Trademark Institute of Canada² from the electronics, rubber and drug industries made it clear that the approach to international patent dealings may vary widely from industry to industry. It is hard to lay down general rules. In some fields, patents may only arise as headaches. In others, they may be the catalysts of success. And today, with the world everybody's oyster, even a stay-at-home company may be jettied into foreign patent dealings, if only to protect its own backyard.

¹*The Role of Patents in the Transfer of Technology to Developing Countries*. Report of the Secretary General, United Nations. New York. 1964.

²*Patent Licensing*. Hamer, Whitman, Todds and Goudreau. Proceedings of the Patent and Trademark Institute of Canada, October 1965. See particularly the bibliography. (To be published shortly).

There are various reasons for taking out patents in foreign lands. Among them are:

1. To secure research and development investment by protecting products into which R and D have been built.
2. To wrap up unpatentable knowhow in a saleable package.
3. To protect export sales by keeping competitors' goods off the market.
4. To stop competitive manufacture in one country which might flood the patentee's markets at home or abroad.
5. To set up a position of armed neutrality by blocking rival patents.
6. To protect investment in a plant in a foreign country.
7. To create a trading position — that is, rights which can be bartered or disposed of for cash.

These effects have been helpful to the sophisticated international operator.

What are the main problems in gaining a foreign patent position? Patents are granted only on *new* processes, products or machines, so above all, one must have access to advanced technology, either the fruits of one's own R and D or by licence from somebody else. What you can and cannot patent varies from country to country, so you may not be able to patent the same aspect of a development as at home. For example, you may be able to cover a chemical product in Canada but in most countries can only patent the process of making it. This means that extra research may have to be done to discover and protect equivalent processes.

Then one must often act within time limits which are all too short. In most countries one must apply for a patent before the invention has been described in a patent or publication or within a year of the home application under the International Convention (an agreement between the major industrial countries and some others). Foreign patenting plans may have to be made long before the invention has become a winner at home. And odds are that one-shot efforts are unlikely to pay off as a planned patent portfolio would.

There is also the upkeep. In most countries, to keep the patent in force you have to pay renewal fees (annuities) and you have either to "work" (manufacture) the invention in the country or at least comply with some formal requirement. To realize on the investment, efforts to exploit have to follow closely on the patenting activity. Where nationalism is strong, success may call for a foreign partner, at least as front man. If you expect a cash return on your foreign patents, make sure there are no local restrictions to prevent you from taking your money home.

Is there not an international agreement by which a patent taken out in Canada covers you abroad? is a question exporters often ask. The answer is "no". A patent still has to be sought in each country. The International Convention extends only to such things as equal protection of foreigners under the law, priority rights, etc., short of actually extending the protection across

international frontiers. The European Common Market, the Scandinavian countries, and other trading blocs have talked about a communal patent. A world patent has even been mooted. So far, these ideals have not become reality, although the patent profession is ever working through its world association to try to improve the patent laws. The International Association for the Protection of Industrial Property (AIPPI), the International Chamber of Commerce (ICC), and the United Nations have periodic forums on the subject. A new Western Hemisphere group, the Inter-American Association of Industrial Property (ASIPI), has just been formed to try to conform the patent laws of the Americas. The United International Bureaux for the Protection of Intellectual Property (BIRPI) have published a Model Patent Law³ to help developing countries make the climate more attractive for patent enterprises.

The hottest patent news is that the Soviet Union in 1965 joined the International Convention. This opens up new possibilities for patent exchange with this vast industrial country. The Soviet has also set up a central trading agency called "Licensintorg" which transacts patent deals both on Soviet patents abroad and foreigners' patents in the U.S.S.R. Other countries in the Soviet Bloc also belong to the Convention and have trading organizations modelled along the same lines.

So much for the offensive. How about the defensive? The chances of the Canadian exporter getting into patent trouble abroad will depend a lot on his line of goods and may vary from zero to serious, depending on whether the product is old or new. The situation in Canada may be no guide. A patent can be dead in Canada but still alive abroad. In New Zealand a product old in North America can still be patented because only use or publication in the country is a bar. Or someone other than the North American patentee may own the patent. In Britain, a trader seeing a product abroad can take it home and patent it as importer. Many countries—for example, France, Belgium and Italy—do not screen patents for novelty but register any claim presented, leaving it to the patentee and the infringer to fight it out in court.

If your product is only patented in Canada, it is safer not to ship it abroad marked "patented". In Germany, for example, the importer would be open to legal action by a competitor for unfair competition. Other countries may keep goods out until the false marking is taken off. Laws vary widely and you should check for each country.

Exclusive rights granted by a patent in any country can be exploited by the patentee himself or he can give an exclusive or non-exclusive licence to someone else. So, the patent licence agreement is the passport to international patent dealing. It should reflect clearly all the rights and obligations of the parties and at the same time respect the public and competitors by staying within the limits of legal and ethical fair trading.

³*Model Law for Developing Countries on Inventions*. United International Bureaux for the Protection of Intellectual Property. Geneva. 1965.

The number of patents taken out by Canadians is small compared with the United States, Britain, Germany, Japan and the other populous industrial countries and chances are a Canadian may find the other fellow in the driver's seat. This makes for hard bargaining. But do not be a push-over. Get expert help to find levers to reasonable terms. In any event, the licence should be a two-way street and marked with guideposts so that there is no deviation from the intended routes of the parties. The toll should give the patentee a fair return, yet not burden the licensee unduly.

What, then, are the things to look for in a licence under foreign patents? First, go through the same checklist as for a domestic patent agreement.

- How protective is the patent? Does it actually cover the invention to be exploited in the market or can it be avoided by slight changes?
- Are there any contrary-held patents which might be infringed in carrying out the invention?
- Has the patent any presumption of validity?
- Is the royalty properly geared to the profit potential?
- Are the life of the licence and the territory clearly spelled out?
- Is there a cancellation clause so you can escape if the deal does not work out as hoped?

If you are the licensee, try not to mortgage the future by agreeing to hand over free all improvement-inventions you may make. But if you are the licensor, insist at least on a licence under any improvements made by your licensees. Define what is meant by "improvements" to avoid this likely source of dispute.

Look for local quirks. Are there any restrictions placed on the conduct of either party which offend any fair trading, anti-trust, or combine law? Are there any local limitations restricting the exploitation of the licensed article or process? Has the country adequate machinery to protect patent rights? Perhaps the courts may be so ignorant of patent matters or so far behind or the procedure so expensive that patent protection exists in theory only. As a foreigner, have you a chance of restraining local infringers? Or perhaps the rights under the foreign patent should be nominally assumed by a national of the country or possibly it should be a joint enterprise with a national. Has the patent right any real teeth, or might you, to protect your rights, have to sue a customer or government agency, making the suit impractical? Are there provisions in the agreement which guarantee you release in the event that the rights supposed to be conveyed do not really exist?

There are some circumstances which no guarantee can cover. In some areas, if you happen to infringe a rival dominating patent you could be stopped by a temporary injunction and put out of business. Check the terms of the agreement in depth with experts who know legal and commercial angles and the territory before putting your name on the dotted line.

Where can one seek more detailed information on how to use patents in international trade? There are good handbooks^{4,5} which give a quick idea of the patent laws and regulations of the various countries. Their advice should not be taken as a final answer because the handbooks are soon out of date and may not pick up changes in interpretation or in the laws themselves. On many questions it may be wise to have your patent attorney ask his associate in the country of interest for the most up-to-date view on a given point, because he is part of a network of patent people throughout the world equipped to obtain or defend patents. They know the local ground rules.

The patent attorney's or lawyer's work is generally limited to dealing with the Patent Office, the courts, or your competitors at the legal and technical levels. On the approach to the commercial side, it is harder to obtain advice. Most published material^{6,7} is quite general and each industrial field poses different problems. You have to cope with such facts of life as local customs, philosophy and ethics, which are not easy to learn about from books. The language barrier can be tough too.

In some areas of the world, you may reach what you think is a meeting of minds, only to find later that your opposite number was only saying "yes" to be polite and did not really agree at all. Experience is about the only way to learn about this type of international horse trading and you may find experts close-mouthed about their hard-to-come-by knowhow. Connections also mean a great deal and here the Canadian Government Foreign Trade Service can be a great help.

The international patent game will still be played with vigour in years to come. Up to now, Canadians have for the most part played the game one way, paying for the use of others' patents without having as many of their own to trade. Let's hope that in the future more Canadian firms will learn to play the game both ways. As one foreign manufacturer put it recently in *Fortune*⁸; "You know the deal: a company develops a product or a process, patents it, exploits it at home, then licenses it abroad. The licensee pays the licensor and still takes home a profit. Everybody wins. But obviously the big winner is the developer—he gets paid twice. It's a high stakes game. To stay in it you need patience and a large, steady investment in R & D. But the payoff can be big."

⁴*Patents throughout the World*. Wm. Wallace White and Byfleet G. Ravenscroft (USA) 1948, revised to date.

⁵*Manual for the Handling of Applications for Patents, Designs and Trade Marks throughout the World*. Bureau voor Technische Adviezen, Amsterdam, Holland, 1927, revised to date.

⁶*Foreign Licensing Agreements, Studies in Business Policy*, No. 86 and 91, National Industrial Conference Board, New York. 1958, 1959.

⁷*How to Exploit Patents and Knowhow in Europe*. Wade and Chereau, Advance House, Ardmore, Pa., 1963.

⁸*Fortune Magazine*, October 1965. Advertisement on page 43 by Sumimoto Electric Company.



Protecting Trademarks in Foreign Markets

ALAN SWABEY, Alan Swabey & Co., Montreal.

EXECUTIVES of a number of the world's best known corporations got a shock this past January on learning that their trademarks were among the more than 300 that had been registered in the Principality of Monaco by a Doctor Aries and two companies, Prochim and Marques et Protection.¹ These opportunists had used a new law in the pocket state to pierce the legal armour of many international firms despite their normal vigilance in protecting their property at home and abroad. The Monaco affair may be an extreme case, but to a lesser degree this kind of thing can and does often happen.

How can you be sure it will not happen to your trademark? Because our law does not compel registration, Canadians may be slow in seeking protection abroad. Here, the mere use of a trademark gives rise to squatters' rights. For example, in a recent case decided by the Registrar of Trade-Marks, a Canadian concern which had first used the trademark "Tre Stella" on cheese but had not bothered to register it was able to block a later application for registration by the Italian originator of it.

But in many countries (Latin America especially) no registration, no comeback—or at least the road can be rough. Remember too that in some jurisdictions, infringement of someone else's registration may be a criminal offence with the chance of a stiff fine or jail, to say nothing of seizure of the goods. So registration is a must and there is a rush to get there first.

Apart from self-defence, the exporter should register trademarks at home and abroad for the following reasons:

(1) To comply with a legal obligation like the Canada *Precious Metals*

¹United States Trademark Association Bulletin, Volume 21, Number 3, February 7, 1966. (Quoting from *New York Times* of January 27, 28, 30, February 1 and 4, 1966, and from the *Wall Street Journal*, February 1, 1966.)

Marking Act which requires that precious metalware must carry a trademark which has been registered or applied for in Canada to qualify for import.

(2) To protect an export mark in Canada against other exporters, even though the mark is not used on the domestic market.

(3) As a basis for guarding product identity by stopping the sale of others' goods so marked that the public cannot tell them from yours.

(4) To protect the goodwill in trademarks in places where the marked goods are not sold, but have become known through advertising flowing across a border.

(5) To set up a "reservoir" of trademarks ready for use on new products.

(6) As a cornerstone for licensing goodwill and knowhow to supplement patents or where there are no patents.

All these results cannot be achieved everywhere because the laws differ from place to place and the trademark possibilities of each territory have to be assessed on their own merits.

The definition of a trademark also differs to some extent from country to country. By and large, a trademark is a tag a merchant puts on his goods or services so that customers can pick them out from others. The term "trademark" takes in not only design marks like the "Esso" oval or the "Texaco" star, but also word marks (which the public calls brand or trade names) like "Coca-Cola", "Kodak", "Lucky Strike", nicknames like "Coke" and "Fridge", initials like "GM", or "BP", odd containers like the "Haig and Haig" pinch bottle, and gadget-shaped products like the cereal with the hole in it. An entire label or part of it, a coloured band on a pencil, a multi-coloured drug capsule, a contrasting dot on the tip of a ski, special shaped or coloured panels on machinery or aircraft—in fact, any marking which helps customers to tell one maker's product from another can be a trademark. But to what extent, if any, a mark is protectable is often a legal conundrum and the answer may differ from one jurisdiction to another.

There are certain general and local taboos which provide some signposts to follow in ruling out marks which you cannot call your own. Among these are:

- **Descriptiveness**—Words which merely describe the character or quality of the goods are said to be "descriptive" (or if they describe it in reverse "misdescriptive") and thus are not protectable. The theory is that everyone has a right to the normal use of language to describe his goods. In Canada, "Select" and "Perfection" are descriptive.

- **Generic Usage**—Words which were at one time trademarks but which the public has come to use as the names of the goods are said to be "generic." The United States considers that "aspirin" and "cellophane" fall into this class. Canada does not. However, "yo-yo" has just been held generic by the Supreme Court. "Shredded wheat" is generic in both countries.

- **Geographical Terms**—These are terms like "London" and "Montreal" which anybody located there has the right to use. There are places famous

for a product, for example "Champagne" or "Burgundy", and only genuine products made there have the right to use that term.

Little-known places with no link with the goods may have no strings attached. Then there are the exceptions which long use or marriage with another word or other feature has made distinctive. Examples are "Canada Dry", "Hawaiian Punch", and "Paris garters".

- **Immoral or Obscene Words**—Propriety deters me from giving examples.

- **Symbols Used by a Government or Public Authority**—Examples are the Red Cross and the Royal Arms Crest or Standard, or the Canadian Flag. Armed Forces or university badges and crests or emblems which have been published by the Trade Marks Office are also outlawed as trademarks.

These "don'ts" vary from place to place; a taboo in Canada may not exist abroad and vice versa. Check for any special religious beliefs or local superstitions. Some countries have their sacred cows; in others, the peacock is a bad luck symbol. Language is always a problem. A perfectly harmless English word may cause foreign eyebrows to rise. So before we seek registration in a country, we always ask our resident associate: "Does this trademark have for you any meaning preventing it from use or protection as a trademark?"

Each country has its own ideas on what machinery (or lack of it) there should be for protecting trademarks. The major federations have a central registry. In countries such as the United States, where one can obtain state registration as well as federal, there may be some decentralization. In others, pre-registration in a mother country is required. With the coming of independence to new territories, this is breaking down and the splinter areas (for example, in Africa) have to be covered by separate registrations. As common markets like the EEC and EFTA and the Africa-Malagasy group come into being, collective registrations may be possible, even though it may be wise to maintain concurrent local registrations.

Even in countries with formal registration there are still variations in the procedure. Sometimes it is wise to have informal searches made before applying for registration, as insurance against infringing someone else's trademark or spending money on a mark already taken. The formal application to the registering authority is usually made by a specialist in the territory, acting on instructions of the Canadian trademark agent. It may be necessary to make several registrations abroad to cover goods which extend into more than one official class, even though a single registration does the job in Canada, where there is no classification system.

In countries with no examination system, your application may be recorded as a matter of course, "sans garantie du gouvernement". Prominent countries which follow this system are France and Italy. This type of system is certainly simple, but the disadvantage is that registration does not really tell you whether you actually have any valid right or whether you are treading on somebody else's toes. It is left to the courts to decide. Canada and the United States follow the examination system. An examiner screens your

application for formal defects or conflicts with prior registrations. As in Canada, many countries provide the right of opposition and you may find that you have to fight for your rights with a competitor before you get your registration.

Because the procedure varies from country to country, it would be wise to ask your trademark agent about the type of examination, whether there is opposition by other parties, and so on. You should also find out how much time may elapse between the application and the grant of the registration. Costs should also be discussed so that you will not be surprised later at the expense; it may be quite out of line with what you would expect in Canada. You should also have some idea in advance about your chances of success and of any dangers of using a given trademark in a given territory.

Is there no international registration which will cover you without having to register in each country? The nearest thing to this is the *Madrid Agreement*. You first seek registration in your own country. Then, applications are sent to the other member countries for approval and if there are no local objections, the mark is registered there. Many European and South American countries belong to this Agreement and use its facilities regularly. Canada and the United States are not members.

The International Convention, to which we do belong, links many of the industrial countries of the world, giving members priority and other rights not open to others. For example, before the U.S.S.R. joined the Convention in 1965, Soviet industrial units could not register in Canada a Soviet mark not yet used here. Now that the Russians are members, their use and registration in the U.S.S.R. give them the right to register in Canada. However, the Convention does not extend protection to a foreign country automatically. Though members are privileged, they still have to apply separately in each country.

The fact that there is no special marking prescribed in Canada to show that a trademark is registered may also tend to tranquilize the Canadian trader to the often stringent requirements abroad. In Chile, Mexico, Peru and Portugal, for instance, marking is a must. The first three require "Marca Registrada". Portugal demands "M.R.". In the United States, the usual marking is "R" in a circle. In most countries marking is not compulsory but recommended and even where it is optional, special wording must be used. Because of the wide variation in the rules, the marking requirements in each country should be carefully checked and adhered to.

Furthermore, the indication that a trademark is registered may be a legal offence if marked goods are imported into a country where the mark is not registered. In Germany unfair competition laws have real teeth, and competitors may use false statements as a basis for legal harassment. In some countries falsely marked goods may even be stopped at the border.

The normal cost and ease with which assignments of trademarks can be registered at home may be a snare to Canadians who intend to transfer this type of property abroad. Foreign fees can be staggeringly high by

Canadian standards. In some countries, there are time limits within which a change of title must be recorded or heavy fines will result. Special documents and legalization may be required, and in some cases a real consideration based on the value of the property must be named and commensurate fees are levied. So it is wise to try to register a trademark in the name of the ultimate owner in the first place and avoid any unnecessary change of title.

Before you let anybody use your trademark, you should check to make sure that the law lets you do it, and get someone who knows the ropes to arrange the terms. Up to 1953, licensing was fatal to trademarks in Canada. Foreign companies quite often had to assign their trademarks to their Canadian subsidiaries or agents and to make sure that all goods came from the same corporate source. Under our present Act, licensees can be legally appointed provided they are made Registered Users. The red tape, though, is strange to the businessman and if he gets off on the wrong foot he may damage his rights beyond repair. Specialists had hoped that when the new Act came into force, the courts might be easy on those who did not follow the rules exactly, but these hopes were dashed last year by the Supreme Court of Canada in the case of *Cheerio v. Dubiner*². In contrast, many countries have no roadblocks at all against trademark licensing.

Unlike a patent, which is granted for a limited term, a trademark according to Canadian practice and that of most countries is good forever if all goes well. But it must not be neglected; it needs constant care. Some of the steps you can take to create and guard trademark rights in all markets in which they appear are:

- (1) Select a legally strong mark³. In choosing a word trademark, one could not go far wrong in following the advice of George Eastman, the originator of "Kodak". Mr. Eastman said: "I chose that name because I knew a trade name must be short, vigorous, incapable of being misspelled to an extent that will destroy its identity, and, in order to satisfy trademark laws, it must mean nothing."
- (2) Find out before you go too far with plans to use a mark if someone else is already using or has registered a similar mark, or if there are any companies with corporate names which might conflict.
- (3) Watch for and oppose any application to register a similar mark.
- (4) Take prompt action to stop the use of a similar mark by competitors. Delay may injure or kill your rights.
- (5) Do not change a mark too much or too fast or you will confuse customers and lose sales. If you change your mark, be sure to check registrations to see whether they cover the changed versions. You may have to re-register.

²*Cheerio v. Dubiner*, Supreme Court of Canada. Not yet published.

³"How to Select a Brand Name", Alan Swabey, *Packaging News*. Volume 13, Number 2. Published by "Cellophane" Division, Canadian Industries Limited, Montreal. 1951. *Why Did They Name It . . . ?* Hannah Campbell. Published by Fleet Publishing Corporation, New York, 1964.

- (6)** Do not combine one mark with another or you will dilute both.
- (7)** Try to avoid merging the mark with somebody else's—for instance, in a joint venture. Its identity may be lost forever.
- (8)** Register and take any other steps needed in territories of interest and renew the registration when it expires.
- (9)** Set up an "early warning system"—first, to keep watch on the official publication of applications for registration of trademarks in countries of interest so that damaging applications can be opposed in time; second, watch trade publications, newspapers, television, radio, and goods on the market to nip in the bud any damaging use of similar marks; third, educate salesmen, advertising and detail men in the importance of your trademark so they will report promptly any suspected infringement; fourth, alert the Canadian Foreign Trade Service and your commercial agents abroad of your trademark registration in their territory in case they spot infringing marks.
- (10)** When changing ownership or licensing of a trademark, find out promptly what obligations there may be to record it and take steps to do so where you have to.
- (11)** Don't let anybody else use your mark without first finding out if you can allow this legally; before licensing a trademark make sure that the terms of the licence are permissible under the laws of the licensee's country.
- (12)** Have your labels checked by a trademark agent to make sure that the trademarks are properly used, displayed and marked.
- (13)** Be sure any compulsory or recommended notice of registration appears with the trademark.
- (14)** Where possible, use with your trademark a generic term to describe the article. For example don't just say "ABC", say "ABC" camera or whatever the product is. This deters people from using the mark as the name of the goods.
- (15)** Put your trademark in quotes, write it in distinctive form or in caps, and mark it.
- (16)** If dictionaries or articles in the press use your trademark as a generic term, get after them and have them publish a correction.
- (17)** Do not let agents or licensees use your trademark in their corporate name. For example, if your mark is "GEM" used on plastics, it is bad to have a company called Gem Plastics Limited owned by someone else.
- (18)** Be sure you have a good trademark agent and put him fully in the picture with *carte blanche* to do a thorough job.

The task is not easy, but your trademark may be your greatest asset, perhaps worth more than all others put together.

There are specialist handbooks which contain a summary of the laws of all countries; these give a good general idea of the protection require-

ments⁴. However, the laws are subject to change without notice—witness the Monaco affair. Don't be half safe; have your trademark agent check for up-to-date information with his associate in any country of interest.

There are also many organizations which follow all aspects of trademarks and which have forums and publications on the subject. Of these, the United States Trademark Association merits special mention. It caters to the businessman as well as to specialists. The USTM executive is made up of trademark attorneys and businessmen and has an energetic permanent secretary. It also has fine publications, periodic forums, and an inviting annual meeting at a resort area⁵.

The Patent and Trademark Institute of Canada also serves the Canadian trademark profession well, as does the Chartered Institute of Trade Mark Agents (U.K.). Most Canadian trademark specialists belong to this organization and a few to the Canadian group of the AIPP⁶ and to the ASIPI.⁷ Many corporations to which trademarks are important abroad also belong to the Canadian Council of the International Chamber of Commerce. All these organizations are actively trying to improve trademark conditions on an international basis and issue publications on trademarks. So does BIRPI⁸, the Bureau that administers the International Convention.⁹

It would be a mistake to regard today's concepts of trademarks as static.¹⁰ The opposed forces of socialism and private enterprise at work within a climate of intra- and inter-governmental attempts to improve economic conditions are bound to produce change. Just when, what, or how much is anybody's guess. As an example, the handwriting is already on the wall disputing the well-established principle that a trademark right in one country is quite separate from the right to the same trademark in another. In the Grundig-Costen case¹¹, the European Economic Commission stepped in to prevent rights in the trademark "Grundig" from being used to stop movement of goods of one distributor into the territory of another. So what goes today may not go tomorrow, and the foreign trader needs the proverbial crystal ball to foresee the future.

⁴*Trademarks Throughout the World*, White and Ravenscroft. \$12.00. Published by Trade Activities, Inc.

International Trademark Protection, Eric D. Offner. Published by Fieldston Press, New York, 1965. *Canadian Law of Trademarks*. Second Edition. Harold G. Fox. The Carswell Company, 1956. \$13.00.

⁵*Trademark Management*, a handbook, and *The Trademark Reporter*, a monthly journal, published by the United States Trademark Association, New York.

⁶International Association for the Protection of Industrial Property.

⁷Inter-American Association of Industrial Property.

⁸United International Bureaux for the Protection of Intellectual Property, Geneva.

⁹*Industrial Property*. Monthly review relating to patents, trademarks and industrial designs, published by the United International Bureaux for the Protection of Intellectual Property, Geneva. \$10.00.

¹⁰*Future Development of Industrial Property Law*. Gordon F. Henderson, Q.C. A paper read to the Third Commonwealth and Empire Law Conference, Sydney, Australia, August 30, 1965. Published by The Carswell Co. Ltd., Toronto.

¹¹*Trade Marks, Patents and Designs Federation, Monthly Report*. February 1965, Part I, and article by Pierre Regimbeau et al in *Trademark Reporter*, Volume 55, Page 195, March 1965, entitled "Regulation of Distribution and Sales Agreements in the Common Market".



Protecting Industrial Designs

ALAN SWABEY, Alan Swabey & Co., Montreal.

FOUR STEPS to export profits urged at a recent World Trade Conference of the Canadian Manufacturers' Association¹ were market research, product promotion, use of services, and program planning. To these a fifth could well be added—product design to create exclusive rights that can be protected against competition.

In thinking of exclusive rights abroad, patents² come first to mind. But protection also comes in the form of the *industrial design registration* and in a few important countries, the *utility model*. Either may serve to back up a patent or fill the gap where a patent is not possible. By and large, the design registration covers a new look given to an article for ornamental purposes and the utility model is a "petty patent" for some minor useful feature not radical enough for a patent.

The distinction between these various forms of right can be subtle. Take the design of a chair. It has to have a seat, a back and legs. Suppose it is redesigned to allow it to fold. This is a change in the way the article works and usually gives right to a patent or utility model. But if the parts are unusually shaped just to give the chair better eye appeal, this qualifies it

¹Ninety-fifth Annual General Meeting of the Canadian Manufacturers' Association, Montreal, June 5 to 7, 1966.

²See chapter on "Foreign Patents and the Exporter".

rather for design registration. In some territories, as in Canada, you do the best you can and try to register the design of an article if there is no utility model law or if it does not rise to the level of an invention you can patent.

The laws of some countries give you the chance to combine patent, design and utility model protection. Take Germany. Let's say you have a knife blade with special notches to cut a certain material. Your patent attorney is not sure whether you will obtain a patent. He suggests that you apply at the same time for a utility model; you can fall back on this if the patent is turned down. In addition, an attractive arrangement of the notches may give rise to a registered design. In Japan, if you first apply for a patent and are turned down, you can continue with the same application for a utility model. Articles common in design registrations include furniture, containers (for example, bottles, jars, etc.), photographic equipment (cameras and projectors), sound equipment (radios and television sets), vehicles (bicycles or tricycles), special extrusions used in building construction, fabric patterns, dress designs, luggage, tire and shoe treads, tiles, and jewellery. In fact, almost any article that has shape or is ornamented can be registered as an industrial design.

As with patents, one of the catches is the short time within which you must act to avoid losing rights abroad—the design must be new at the time of filing. The International Convention, the multilateral patent treaty to which Canada belongs, gives some small relief if you file in a member country within a given period after filing your first application. For the utility model this is a year and for a design, six months. Your application is then back-dated to your first application and any use or publication in the meantime is excused.

These time limits hardly allow you to wait for market success at home, so you may have to file abroad and speculate on commercial success. If you miss the date, sale or publication in Canada will kill your rights in many countries. The situation on time limits outside of the Convention varies; each country has to be checked to find out how the design stands. The time to do this is before it appears on the market anywhere.

What other problems are there in securing protection? For utility models, these may vary from none to considerable. In Germany there is no search; anything and everything is registered. In Japan the novelty examination compares with that for patents. There is certainly no world standard. An article devoid of design coverage in the United States may have quite useful protection in France or Italy. You have to take advantage from area to area of whatever protection there is. Acceptance by the particular Patent Office does not, of course, mean that the rights are valid. This is a question always subject to review by the Courts—but possession is often “nine points of the law”.

Most developed countries give some form of design protection. In some, designs are subject to copyright protection which may overlap with design registration.

An indication of the importance attached to industrial design abroad is that countries which do not already have design protection laws are adopting them. Recent (1965) entries are Argentina and the U.S.S.R. The Tokyo Congress of the AIPPI in April 1966 passed a resolution recommending that the International Convention be amended to require all signatory countries to provide for the protection of designs.

The handbook *Manual for the Handling of Applications for Patents, Designs and Trade Marks throughout the World*³ gives a summary of the design and utility model protection available in foreign countries. BIRPI has published a compendium containing in English the texts of all the design laws of the world⁴. But do not rely completely on general texts which go out of date quickly nor, for that matter, on the text of the law itself. A judgment of the Courts can change the picture from one day to the next. Take Canada's Bench Made Case⁵. Be sure to get your information from an expert in the patent field.

The life of design registrations varies widely. Many countries give as much as 15 years from the date of filing but a few as little as four or five years. As for utility models, Japan gives ten years from registration, Germany six and Italy four—all from filing time. Other countries which grant utility model protection are Brazil, Spain and Portugal.

Despite the fact that the Canadian design law is over forty years old, the number of registrations is low compared with patents in Canada and with similar activity abroad. For the last three fiscal years the number of designs registered were as follows, with the figure for patents shown in brackets: 1,030 (27,811); 846 (27,057); 814 (26,409). The bulk of these originated abroad. Compare the activity in Japan, where 13,654 designs were registered in the last fiscal year plus 35,040 utility models and 26,905 patents, most of which were of Japanese origin.

The Canadian Government is not happy about the lack of original industrial design, judging from the remarks of the Hon. C. H. Drury, Minister of Industry, in a speech to the Canadian Manufacturers' Association in Montreal recently. Mr. Drury pointed to three new design programs initiated by the Government. Mr. H. R. Pippy, Head of the Copyright and Design Branch of the Canadian Patent Office, told the writer he thought the main reason why people did not make more use of design protection was that they did not know enough about it. More publicity may be the answer.

But perhaps the lack of activity has also been due to the general feeling that the design registration law is not very protective. Canadian design pro-

³ *Manual for the Handling of Applications for Patents, Designs and Trade Marks throughout the World*. Bureau voor Technische Adviezen, Amsterdam, Holland, 1927, revised to date.

⁴ *Compendium of Design Laws and Treaties of the World*. Published in agreement with the United Nations Educational, Scientific and Cultural Organization and the United International Bureaux for the Protection of Intellectual Property and of Literary and Artistic Works by The Bureau of National Affairs Inc., Washington, D.C.

⁵ *Cimon Limited et al. v. Bench Made Furniture Corporation et al.* 30 Fox Pat.C.77 (December 1964). This is the first Canadian judgment to uphold a three-dimensional design relating to furniture.

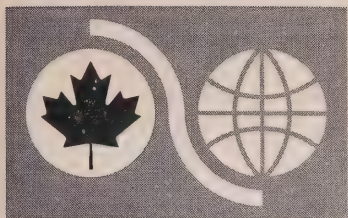
tection did get a shot in the arm late in 1964 with the *Cimon v. Bench Made* case⁵, in which Mr. Justice Jackett, the new President of the Exchequer Court, reversed his predecessors and held valid a registration involving the shape of a piece of furniture. The case was not appealed and so it remains the law. Judge Giles Rich of the United States Court of Customs and Patent Appeals, eminent in the patent, trademark and design field, in a talk to the Patent and Trade Mark Institute of Canada⁶ said that in the light of this decision our law did not look bad. Further, the Ilsley Royal Commission⁷ has made recommendations for an improved design law and officials are said to be now working on this.

Possibly these good omens will give heart to Canadians for greater design activity at home and will result in more Canadian designs which can be protected abroad.

⁵*Cimon Limited et al. v. Bench Made Furniture Corporation et al.* 30 Fox Pat.C.77 (December 1964). This is the first Canadian judgment to uphold a three-dimensional design relating to furniture.

⁶*Report of Proceedings Thirty-ninth Annual Meeting Patent and Trade Mark Institute of Canada.* 1965.

⁷*Ilsley Royal Commission Report on Industrial Designs* 1958. Queen's Printer, Ottawa.



Export Packing Needs Knowhow

K. C. SHINDLER, Trade Publicity Branch.

IT WON'T DO! Generally speaking, that corrugated box you use for domestic packaging, with its intricate, colourful and immediately identifiable logo, will not do for shipping abroad. It is simply not built to take the strains, exposure to moisture and temperature changes that ocean-shipped packages are heir to.

Canadian products are well received almost everywhere in the world. They are recognized for good quality materials and quality workmanship. Despite this, Canadian exporters can lose and are losing customers abroad because of inadequate packing, subsequent damage in handling, and pilferage.

The ordeal of an export shipment begins at dockside where it is not uncommon to see boxes, crates and other packages which have been damaged in domestic shipment even before they have encountered the hazards of ocean travel. Upon arrival at the dock the container may be dropped from the back of a truck and from there dragged, tumbled, lifted or otherwise moved to an assembly area where cargo is stacked to await its turn in loading. Here the pack must have sufficient strength to resist these superimposed loads, because failure of the container at this point will leave it vulnerable to the entry of dirt and moisture and, in effect, will extend an open invitation to pilferage throughout the remainder of its journey.

In lifting containers from the dock into the ship's hold, slings, grabs, nets or platforms may be used. Here your pack must withstand crushing

CAREFUL MARKING IN THE LANGUAGE OF THE COUNTRY OF DESTINATION IS HIGHLY IMPORTANT *

	Danish	Finnish	French	German	Italian	Norwegian	Portuguese	Spanish	Swedish
Handle with Care	Forsigtig	Varovasti	Attention	Vorsicht	Fragile	Forsiktig	Tratar Com Cuidado	Manejese Con Cuidado	Varsamt
Keep Dry	Bør Opbevares På et Tørt Sted	Pitä Kuivana	Protéger Contre Humidité	Vor Naesse Schuetzen	Preservare Dall'Umidità	Oppbevares På Tørt Sted	Conservar em Lugar Seco	Mantengase Seco	Förvaras Torr
Use No Hooks	Anvend Ikke Kroge	Älä Käytä Koukkuja	Manier Sans Crampons	Ohne Haken Handhaben	Manipolare Senza Usare Uncini	Bruk Ikke Kroker	Não Empregue Ganchos	No Usen Ganchos	Begagna Inga Krokar
This Side Up	Denne Side Opad	Tämä Puoli Ylöspäin	Cette Face en Haut	Diese Seite Oben	Lato Da Mantenerem Inalto	Denne Side Opp	Este Lado Para Cima	Este Lado Arriba	Denna Sida Upp
Top	Op	Kansi	Dessus	Oberseite	Coperchio	Denne Side Opp	Parte de Cima	Tapa	Denna Sida Upp
Weight	Vaegt	Paino	Poids	Gewicht	Peso	Vekt	Peso	Peso	Vikt
Net	Netto	Netto	Net	Netto	Netto	Netto	Peso Liquido	Neto	Netto
Gross	Brutto	Brutto	Brut	Brutto	Lordo	Brutto	Peso Bruto	Bruto	Brutto
Tare	Tara	Taara	Tare	Tara	Tara	Tara	Tara	Tara	Tara
Glass	Glas	Lasia	Verre	Glas	Vetro	Glass	Vidro	Vidrio	Glas
Fragile	Skørbeligt	Särkyvää	Fragile	Zerbrechlich	Fragile	Forsiktig Glass	Fragil	Fragil	Omtaligt
Keep in Cool Place	Bør Opbevares På et Køligt Sted	Säilytettävä Viileässä Paikassa	Garder en Lieu Frais	Keuhl Aufbewahren	Conservare in Luogo Fresco	Oppbevares På Koldt Sted	Deve Ser Guardado em Lugar Fresco	Mantengase en Lugar Fresco	Förvaras Kallt
Open Here	Åbnes Her	Avataan Tästä	Ouvrir Ici	Hier Oeffnen	Aprire da Questa Parte	Åbnes Her	Abra Aqui	Abrase Aqui	Oppnas Här

*Reprinted from "The Principle and Problems of Export Packing", by C. H. Nethercote, Department of Forestry.

from without and pressures from within if the slings are not properly located with respect to the interior load distribution. Once in the hold, the pack may be dropped, tumbled, dragged, levered or hooked and it may be stowed wrong side up, especially if the marking is not clear in the dim light. And probably dunnage will be placed over it and additional cargo loaded on top.

On the voyage, packages in the hold are constantly under strain, prolonged compression and movement because the motion of the ship leads to loosening of the fastenings, dislocation of interior blocking and bracing, puncturing of the container walls, and obliteration of inadequate marking. Friction builds up heat and once the hold is opened at the port of destination, the difference between outside and hold temperatures causes condensation to form on plates, piping, bulkheads and deckheads and drip onto the cargo. An average hold of 100,000 cubic feet may contain up to 155 pounds of water at 80 degrees F. and 100 per cent relative humidity. When the temperature falls even a little, beads of sweat form on everything. This blanket of moisture then adds to the strain on the packaging.

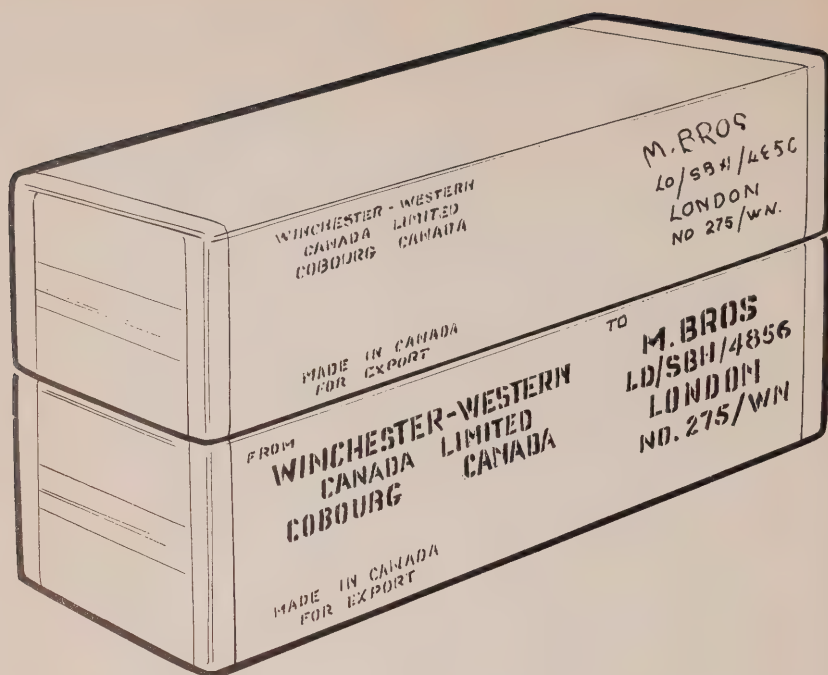
At the port of discharge, new hazards may arise. Stevedores may be illiterate and unable to read such cautionary signs as "Delicate Instrument—Handle with Care"; the handling is often rougher than at the loading port and adequate storage under proper cover may not always be available. In some areas ships discharge their cargos offshore into lighters. Should a heavy swell be running at the time, the impact between container and lighter or shipside can be very damaging and the possibility of the pack being drenched with salt spray is ever present.

Protection against damage in transit begins right in your shipping department. To counteract movement within a corrugated shipping case of unit packages—"cannonballing" of one pack against another—fold in the long flaps of the case first. This gives a uniform top inner surface, ensures a tight package and, because the tension is uniform across the package top, provides extra strength for stacking. Wherever feasible, insure a tight pack in your container. This way the contents add to the strength of the container wall.

In closing your corrugated cases, remember that domestic-weight tape is not designed to survive the pressures, friction and moisture of a sea voyage. Use reinforced tape or a full glue flap top and bottom which withstands strain far better than a strip seal.

One word is all-important in planning export shipments—UNITIZATION. Large loads are less likely to be damaged than small ones. Generally, it is to your advantage to unitize whenever the products or containers permit. The most common way is to bind a load of merchandise to a pallet with steel strapping or reinforced tape. Wooden pallets are most often used and expendable ones are becoming more and more common. Beware of under-palletizing because then your shipment will be susceptible to ship movement and the constant vibration.

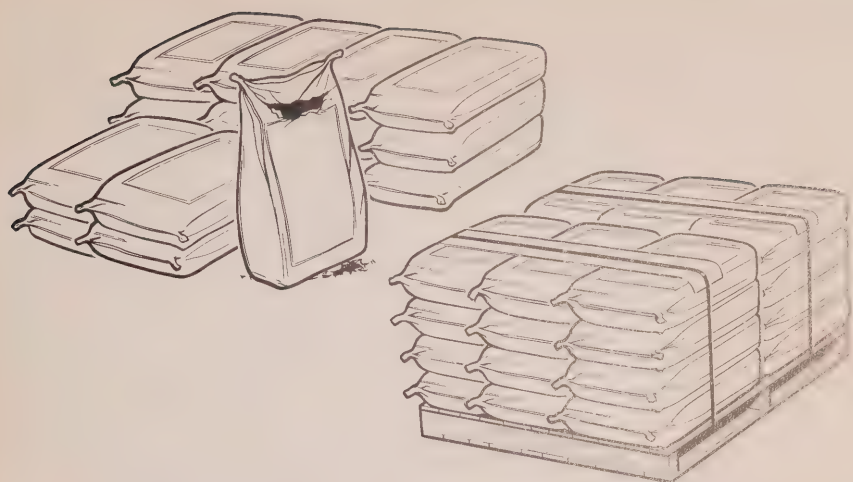
The world's best shipping container is no better than the worst if it



Customs officials, forwarding agents and port authorities often criticize the marking of packages. Making the final destination point stand out means that the package can be located and moved quickly. Mark your packages boldly, as in the lower example here, and use waterproof, saltproof ink. This applies to handling instructions often obscured by tape or lost in a company logo.

doesn't get to its destination. Customs officials, forwarding agents and port authorities often criticize the marking of packages. Each one should be marked boldly so that it can be readily read, and waterproof and saltproof ink used. Mark at least two sides, using letters at least $1\frac{3}{4}$ inches high, and in both English and the language of the country of destination. Making the final destination point stand out means that the package can be located and moved quickly for customs clearance, delivery, and so on. When the destination and the special handling instructions are printed in too small letters, covered with tape, lost in the company logo, or otherwise obscured, unnecessary handling expense is added. An elaborate company logo is fine for promotion but it doesn't impress the man desperately searching for some indication of where the package is to be sent and how many units make up the shipment.

Admittedly, there is a distinct need for an agreed international sign language to show, among other things, the fragility of a product and the appropriate method of handling it. Too often, careful handling instructions



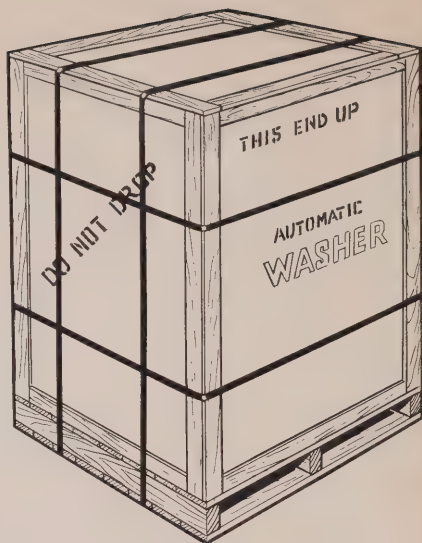
The reliable multiwall bag suffers in some foreign ports where stevedores heft it by the ears. Good pre-palletizing as shown above is the right answer.

are given the same design emphasis (and sometimes are even printed in the same colour) as the company logo. If the instructions do not catch the handler's attention, he will handle the container in the way that suits him best.

In selecting the proper container for your export shipment, let the product be your guide. Ocean freight rates are generally based on weight-to-cube ratio, so keep the package small and keep it light. In some countries also, such as Switzerland and Colombia, customs duties are based on the gross weight and this includes all interior and exterior containers and packing material. But don't underpack—a damaged shipment leads to loss of prestige, high replacement cost, lost sales and higher insurance rates. In addition, inadequate packing constitutes "inherent vice" and loss or damage because of it is not recoverable under marine insurance policies. See this section in the chapter entitled "Marine Insurance and the Exporter."

- *Corrugated boxes* have improved tremendously in recent years and can now be used to ship many products overseas. Never use corrugated boxes with a bursting strength of less than 275 pounds per square inch. Triplewall corrugated is strongest and has one advantage over wooden boxes: it is more resilient and tends to cushion the contents against shock. Under certain weight conditions, corrugated is equal to half-inch plywood. Corrugated boxes can be strengthened when needed by wood framing. Unfortunately the potential for pilferage is greater with corrugated boxes and too many claims because of losses will eventually mean higher insurance rates.

- *Plywood boxes*, gaining in popularity, give excellent protection against punctures, can support heavily stacked loads on top without collapsing, and



Damaged by the forks of a lift truck which ripped through its inadequate packaging, this washer waits in the warehouse for insurance assessment. Wooden crates are the safest packaging for heavy objects like this one.

are virtually pilferproof. The movement towards plywood began when shippers realized that package strength was properly placed in the framing, not the skin. By using plywood instead of slatted boxes, both weight and cubic are saved. Another advantage of ply boxes is that they can be water-proofed at the joints and easily lined with moisture barriers. When shipping machine parts, interior cradles add to the package strength.

Exporters of heavy products have stopped providing rings on boxes, because they may not all be used. "Sling Here" arrows and signs have replaced the heavy rings.

- *Wooden crates* may be open or fully sheathed and are best for heavy and bulky items. Framing must be heavy enough to withstand the pinching effect of slings. A good precaution is to mark the center of gravity as well as sling and grab-hook positions.

Some exporters have found it profitable to ship large objects, such as refrigerators, in open crates sheathed only in a transparent poly shroud. The handler sees what he is moving and gives it the respect it deserves.

- *Wirebound boxes and crates* are lighter than wooden boxes, hence cheaper to ship. Don't use them for merchandise that will be damaged if the box is twisted out of shape a bit.

- *Multiwall bags* have proved themselves in domestic shipment of powders and granular materials. Used in export shipment, they face somewhat different problems. Foreign stevedores, accustomed to burlap bags, automatically

seize multiwall bags by their ears, with subsequent tearing and spilling. The remedy for this is palletization.

- *Bales* travel well but are easy to pilfer and are apt to be damaged by hooks and water. Wrap them in a waterproof covering and provide ears on corners of small bales so they can be handled without hooks. Bales weighing over 300 pounds are likely to be hooked. Use at least four tension bands around any bale to hold it together.

Dampness is the worst enemy of overseas shipments. There are many ways to combat moisture. The best all involve sealing the product completely from the air in one way or another.

- *Rust inhibitors* are special chemicals applied directly to metal surfaces. Many dry to form a tough protective coating that can be stripped off but others must be removed with solvents.

- *Barrier material* is one of the most effective weapons against moisture. Usually made of kraft or similar paper and impregnated with waterproofing chemicals or laminate with foil, barrier materials effectively seal out damp air. They must be completely waterproof—not just water-resistant—and must be sealed with waterproof tape.

- *Desiccants*, especially dehydrating agents, absorb the moisture from the air so that the product remains dry. Used inside airtight containers or within barrier wraps, desiccants are very effective in fighting moisture. They are especially useful on non-metallic products and goods that cannot be coated directly with inhibitors. They have the advantage of leaving the product completely clean and free of foreign coating.

- *Volatile corrosion inhibitors*, commonly called VCI's, do the same job as rust inhibitors, but with refinements. They give off a vapour that forms a microscopic coating on the surface to be protected. Colourless, odourless and tasteless, it is too thin to be measured. The VCI may be impregnated into the barrier wrap or it may be used inside the package in crystalline form. Either way, it should be used only in an airtight container.

One U.S. company estimates that at least 17 potential customers see a container from the time it leaves the factory to the time it is delivered. But beware of advertising the contents if your merchandise is highly pilferable—you are inviting theft. If it is absolutely necessary to mark valuable contents on the outside of the container, work out a code that only you and the consignee can understand.

Theft and pilferage are common in every port in the world, costing exporters a fortune in dollars and prestige. There are many kinds of pilfer-proof containers at your disposal. Even ordinary wooden boxes can be nailed with special spiral nails that defy opening and reclosing without detection. Poor packaging is as good as an engraved invitation to a thief or a man whose family is hungry and ill-clothed.

Some producers, not experienced in shipping overseas and fearful of higher packaging costs, have been discouraged unnecessarily from pursuing after profitable foreign markets. There are many people who can give you

sound advice about your particular export packaging problems. Ask them. You can learn a lot from steamship lines, marine insurance companies, or packaging suppliers.

Another man who may be able to help you is the contract packager. These specialists are particularly helpful if you export only occasionally or do not want to train your own export packers. Because they are usually located at or near ports, they may save you the freight charges for shipping heavy containers overland by rail or truck.

When planning your export packaging, be economical by all means. But don't scrimp. It doesn't pay. Foreign buyers are paying customs duty and may be going to considerable trouble to buy your product. If it is unusable when it is delivered, it is small comfort to them to learn that you saved a dollar in packaging costs. You are the one who will be hurt most when that happens.



The Dynamics of Export Transportation

A. S. MARSHALL, General Traffic Manager, The Steel Company of Canada.

THE transportation of goods in international trade has for centuries captured the imagination of almost anyone who could read, because countless authors have related the adventures, true or imaginary, of the doughty crew who have conducted this challenging and glamorous activity. It is my task here to outline the more mundane side of the transportation aspect of world trade. The reader should be aware, however, that no matter how small his part in the total venture, some of the excitement which has pervaded this traffic throughout the ages will unfailingly enhance his interest in this work.

An entire volume could be written about the mere mechanics of export transportation. I must be brief and my purpose will be to highlight procedures and attitudes which seem important in the operation of a traffic function which is charged with export responsibilities.

The services of the Traffic Department are an important factor and indeed could be decisive in the success of a corporation's export business. Consider that the cost of freight is often an unusually high proportion of the laid-down cost of goods and you will recognize the importance of Traffic's function in purchasing transportation. Consider the unusual difficulties of making delivery to a distant customer in a foreign country and you will recognize the importance of Traffic's expediting and forwarding services.

The traffic function in export is determined by the terms of sale. Under delivered price, c.i.f. destination, or c. and f. destination contracts, the seller is responsible for arranging ocean transportation. On the other hand, under f.a.s. loading port, or f.o.b. seller's works or any other domestic point, the seller's transportation responsibilities are restricted to domestic transportation and involve little if any more complicated traffic routines than would purely domestic transactions. For the purpose of this article, it will be assumed that the seller is responsible for ocean transport. If the reader's responsibility stops short of this, he can take it that his traffic problems are not significantly different from those encountered in domestic business.

To define the terms of reference a step further, I do not intend to spend any time on the comparatively simple procedures involved in all-rail, all-truck, express, or parcel post, because the transportation procedures are so similar to those involved in domestic shipments. A knowledge of the applicable international rates, and possibly the need to negotiate new ones, are the only significantly different factors. Air freight is covered in another chapter.

I shall therefore concentrate on the subject of shipping to overseas foreign countries. The services of a forwarding agent are also dealt with in a later chapter and so I shall ignore them. It should be understood, however, that the exporter may well decide to have some of the functions I shall describe performed for him by a forwarding agent.

To make the grade in export trade, goods must arrive at the foreign destination in good condition, in a reasonable length of time, and at a competitive laid-down cost. If the transportation function cannot accomplish this, the export operation must fail. Let us now see what must be done to succeed.

Exporters are interested in the world of ships. Let's take a quick look at the world fleet waiting to serve them. The table on page 187 classifies ships by major groups and covers a ten-year span, so that the reader may grasp certain significant trends that have been developing.

Obviously, the great increase in the last decade in the demand for transportation of bulk cargoes, notably oil and iron ore, has made the relatively modest increase in the general cargo fleet seem even smaller. However, the general freighter fleet capacity did increase by more than 20 per cent and the improvement of speed and efficiency of vessels means that it increased its carrying capacity even more. In any event, demand and supply for vessel space seem to be in a reasonable state of balance, so that ship-owners generally appear to have responded quite well to the world demand for ships.

The three basic types of ocean service available to the exporter are provided by: (1) the conference lines; (2) other lines, usually referred to as "non-conference"; (3) tramp ships.

The conference lines are represented on most trade routes. A conference is an association of shipping lines which have grouped themselves together for the purpose of establishing common freight rates and shipping conditions. They use a dual rate system, under which an exporter may qualify for a

more favourable rate by signing an exclusive patronage contract. Most Canadian contracts require routing of 100 per cent of the shipper's traffic on routes served by the conference, to be shipped via a carrier member of his choice. Most Canadian contracts run for a calendar year and require notification of cancellation at least 90 days before December 31. Conference line services are available to shippers who have not signed contracts, but at higher rates for the same services.

The non-conference lines operate and quote freight rates individually. They usually provide regular liner service, frequently on the same trade routes as, and in competition with, the conference lines. They do not require the signing of a time contract and will accept bookings from all shippers, provided space is available. When they are in competition with an entire conference, non-conference lines will usually quote rates about 10 per cent lower to attract traffic.

Merchant Fleet of the World

World Total	1954	1959	1964
No. ships	14,613	17,106	18,072
1,000's G.T.	87,286	115,015	140,283
Oil Tanker			
No. ships	2,631	3,307	3,459
1,000's G.T.	23,604	37,654	49,711
per cent of total G.T.	27.0	32.7	35.4
Bulk Carrier			
No. ships	601	940	1,771
1,000's G.T.	2,092	5,838	16,672
per cent of total G.T.	2.4	5.1	11.9
Freighter			
No. ships	10,077	11,579	11,692
1,000's G.T.	51,475	61,224	64,350
per cent of total G.T.	59.0	57.3	45.9
Cargo and Passenger			
No. ships	1,304	1,280	1,142
1,000's G.T.	10,115	10,299	9,548
per cent of total G.T.	11.6	8.9	6.8

Tramp ships do not ordinarily operate in a scheduled service but their space is usually available, in whole or in part, on a per voyage basis. They are the free-lancers of the shipping world and literally will go anywhere on the trade-routes of the globe.

The transportation of goods by sea in sealed containers is a recent and increasing development. Some ships are designed specifically for this service and many of the regular lines are establishing various procedures

for the interchange of containers, so that they can offer this service. Container service is not widespread in Canada to date but the exporter for whom this is a significant factor can look for a gradual increase. The main advantages of container service are protection from pilferage and damage, complete and undisturbed door-to-door service, and the advantages of automation in all aspects of handling.

As in pricing transportation services, the rate-making procedure will result in a price between the out-of-pocket cost of moving particular lots of cargo, as a minimum, and the value of the transportation service (the increment in value of the cargo between ports of origin and destination), as a maximum. Many factors affect the striking of the rate level between these two extremes.

Competition among carriers is an important element. The conferences tend to restrict rate competition. The justification claimed for this is that stability of rates is equally important to the shipper and to the line. The former wishes to be assured of the laid-down cost of his goods and the latter wishes to be assured of a reasonable price for his services. The conference lines hold this theory out as the foundation on which they are able to build and maintain reliable schedules and service. Many trade routes are served by non-conference as well as conference lines and then competition tends to be keener. Tramp vessels also create rate competition and they will tend to influence freight rates in cases where previous lack of competition has permitted these rates to become unrealistically high. The conferences will at times leave freight rates "open", or subject to short-term negotiation, where such action is deemed necessary to make the conference members competitive. In these various ways, competition can be an important factor in rate-making, whether the exporter is dealing with conference lines or not. Competition tends to be a more compulsive factor in tramp ship rates than in the liner services.

The transportation and commercial characteristics of the goods represent important elements in ocean freight rates. Significant transportation characteristics are: (1) density of the goods, as this affects space per ton; (2) shape of the goods or packages, as this affects stowability; (3) susceptibility to damage by breakage, fire, rust, spoilage, etc.; (4) susceptibility to pilferage; (5) need for special handling, such as heavy lifts; (6) need for special protection, such as refrigeration; (7) predominant direction of the flow of traffic (is it back-haul?).

Significant commercial characteristics of the goods influencing rates are: (1) the intrinsic value; (2) the difference in value at origin and destination ports (this measures the value of service); (3) the stage of manufacture, whether raw, semi-finished, etc.; (4) market competition with goods originating in another country.

The demand for and supply of shipping service affect rates. An example of this is when the preponderance of traffic on a given route is in one direction. The tight supply of space in this direction tends to increase rates, but

the back-haul aspect in the reverse direction tends to make the carriers reduce rates in an attempt to balance the traffic.

In the negotiation of ocean freight rates, the exporter should consider all these factors. Naturally, he will accentuate those which will assist him most in the rate-making process. In many instances, his activity may not have to go beyond the mere decision about whether the going freight rates are compatible with his particular foreign operation.

The liner services, conference or no, usually quote rates on what is known as "liner terms". This includes costs of loading and unloading cargo and harbour charges assessed against the ship. It does not, as a rule, include top wharfage and other terminal charges assessed by harbour authorities against the cargo. The other most frequently quoted rate basis is known as f.i.o. (free in and out). Under such rates, the shipper or consignee pays all cargo costs except the actual water transportation. Therefore the shipper or consignee must arrange and pay for stevedoring and must meet certain conditions as to the speed of loading and unloading or incur penalties, known as "demurrage". Thus the cost of shore-based services, whether paid for directly or indirectly, can be a sizable element in the cost of ocean transportation.

So much for some of the basics which must be understood if one is to master the art of export transportation.

Beyond a general knowledge of export traffic conditions, it is vital that the export traffic manager be thoroughly familiar with the specific nature of the trade he is to conduct. Perhaps the simplest way to outline the export transportation procedure is to carry a transaction through step by step, from the Traffic Department's first order advice until its function is completed.

A few words about the organization of the Traffic Department to perform this function may be in order. It is apparent from the foregoing that export traffic is complex and unusual. Indeed, it requires far more attention per ton shipped than regular domestic transportation does. If at all possible, the export section should be set up as a separate function within the Traffic Department, co-operating fully with the others where duties overlap, but free to devote the necessary time to the specialized export work. Export should never be done with the left hand. The traffic function must be sufficiently mobile to become familiar with the physical aspects involved in export shipping, to co-ordinate production, shipping, etc., with vessel arrivals, to get to know the people in the shipping trade, and to trouble-shoot when ship delays or other complications occur. On the other hand, much of the export traffic work is done by telephone. The export desk will have one of the hottest phones in the office and this phone must be manned at all times. For certain periods intelligent message-taking will suffice, but to the greatest extent possible the export desk should be in a position to act promptly at all times to meet changing conditions.

The Traffic Department has been notified (by means of an order copy or other means) of an export order which has been accepted. Terms of sale

are examined to determine Traffic's responsibility. A tentative delivery date is usually indicated. The first step is to book space on a vessel with acceptable ETA (estimated time of arrival) at the port of destination. Usually the selection of discharge port is left to the consignee, except when goods are sold delivered. In such a case, selection of the discharge port must be made carefully because there could be a considerable difference in port and inland charges.

Selection of the loading port may be automatically dictated by the economics of inland and port charges. If not, frequency of sailings is an important service element and may even at times outweigh the economics. The export customer must be serviced carefully in this respect. After selection of the ports, sailing schedules are consulted. Each steamship agency usually sends out sailing schedules giving departure times, ports served, and ETA's of ships in its service. Certain periodicals and newspapers can also be consulted for sailing information. *Canadian Forwarder* and *Shipping Digest* give very complete information.

When letters of credit are involved, they must be reviewed to ensure that their conditions are met—for example, the time factor, transshipment restrictions, discharge port, etc. In the selection of a ship, ETA is important. Intermediate stops on certain lines are frequent and could delay goods beyond the ETA of later sailings. In selecting the route, transshipment should be avoided wherever possible; it can cause serious delays and each handling of goods increases the risk of loss or damage.

The most reliable line with a comparable rate and best ETA is usually used. Of course, to ensure competition and to encourage frequency of sailings, business should be spread judiciously, provided all conditions are reasonably the same.

When the decision on a ship has been made, the steamship agent representing that line is called to book the required space. He will request all the particulars, such as weight, size, and destination port. The agent will then issue a contract number and an engagement note will be sent out showing the particulars of the shipment, with the name of the ship, loading port, dates, destination and usually the ocean freight rate. If, later, the booked space is not required, it should be cancelled immediately to permit the steamship line to rebook. The steamship line reserves the right to bill the shipper for the unused space if it is not cancelled in time.

There are several ways to deliver goods to the loading port. If locally, it is usually more economical to use a local trucker or the company's own vehicle. In some ports an additional charge is assessed for extra labour involved in unloading trucks. In other ports the material has to be unloaded and placed in a warehouse where the steamship checker indicates. When material is unloaded and checked by the checker for number of pieces, shipping marks, condition, weight, and possibly size or cubic, a "dock receipt" is issued. This is retained until the material is loaded aboard ship and then is replaced by an ocean bill of lading.

Inland shippers also use rail and domestic steamships in addition to trucks to move material to the port. Domestic steamships usually include all charges in their rate to the port, pickup and delivery to the designated pier, and stowage in the warehouse according to the steamship checker's instructions. The railways and domestic steamships have announced that top wharfage charges of the National Harbours Board will no longer be included in inland freight rates. Rail shipments move l.c.l. if small, or in carload lots, according to the size of shipments. L.c.l. shipments are delivered to the railway freight depots where the railways consolidate them with other shipments to the same port. Usually all port charges are included in the rail rate, except National Harbours Board top wharfage, as stated above.

Carload traffic is usually loaded at the shipper's premises and conditions are similar to domestic traffic. The steamship line usually leases or is allocated a specified shed but sometimes this is not possible. To avoid having material in the wrong shed, boxcars are not ordered in to be unloaded in a shed until the ship has reported her ETA and a berth has been allocated. The free time for unloading cars varies at ports (usually ten days) before a wharfage begins, but this information can be obtained from the railway. If carload shipments are loaded in one boxcar and have to be delivered to more than two sheds, an additional charge is assessed. Two free deliveries are allowed. Rail cars are unloaded by railway personnel or the work is contracted out by the railway. Checking and placing of the material in the allocated warehouse space are included in the export rail rate. Of course, there are some products which require special cars but in this export traffic is no different from domestic.

When the material is in the warehouse at the loading port, or in other instances where the material is delivered direct to the ship for loading from rail cars or trucks, it is the responsibility of the steamship line to see that the goods are loaded safely aboard ship. Most lines use stevedoring companies to perform this function and it is included in the liner rate. When the ship arrives at the destination port, the steamship line pays for and arranges discharge of the goods.

After the material is safely stowed aboard and no exceptions are noted, a clean ocean bill of lading is issued by the steamship agent. If there has been damage noted against the cargo but a clean bill of lading is required, most lines will issue a clean bill provided the shipper signs a letter of indemnity absolving the line of any responsibility in the event that a claim follows. An inland shipper who holds a clean bill of lading from the inland carrier can, of course, look to that carrier for reimbursement of any loss resulting from the letter of indemnity.

One of the most important facets of export traffic work is to get to know the people in the ocean shipping industry and its ancillary services. Whether the subject at hand is freight rates, service problems, trouble shooting, or just plain information or knowhow, the people in this industry have a strong common denominator of willingness to co-operate. They are

not difficult to know. Normal business contacts provide the main lines of communication. Trade associations and traffic clubs provide a less formal meeting-ground. If one is fortunate enough to be within easy reach of a port of call, the delightful interludes occasioned by the shipboard luncheon or reception contribute to one's salt-water education.

The negotiation of ocean freight rates can be immensely facilitated if the people around the table know and trust one another. Sometimes the group may be too large to expect over-all acquaintanceship. For example, when negotiating with ocean conferences, it may be necessary to appear before a meeting at which each carrier member is represented by at least one person. But even then it is most helpful to see a few well-known faces around the table.

The importance of communication must be understood and accepted if the export traffic function is to work at the optimum. If there is a problem to be solved, ninety-nine times out of one hundred it will be solved more effectively on a friendly basis than at arm's length. Remember that these people are battling the elements, the uncertainties of world trade, the sometimes arbitrary actions of governments, and many other problems that they have in common. The whole industry enjoys a spirit of co-operation within its membership. The shipper who can win a small part of this spirit will enhance his chances of operating smoothly in export transportation. And it goes without saying that this co-operation must work both ways to be worthwhile.



Freight Forwarders Speed Exports

O. MARY HILL, Editor, "Foreign Trade".

THE TELEPHONE rang in the offices of one of Canada's leading freight forwarding firms in Montreal.

"This is John Jones of the ABC Company," said the caller. "We have just made our first overseas sale. We're new at this game. Could you look after all the documentation and shipping arrangements for us?"

In the next few minutes the forwarder asked a number of questions and jotted down the answers. When the conversation ended, he knew, among other things:

1. The product to be shipped.
2. Where it was going and the best means of transportation.
3. When the customer expected delivery.
4. Whether or not the product needed any special type of stowage, such as refrigerated space, or came under the heading of hazardous cargo.
5. The terms of sale; in this instance, letter of credit.
6. Who would arrange transportation from the plant to the steamship shed when shipping space was booked.
7. Whether the company was placing its own marine insurance or would insure under the forwarder's open policy.

Mr. Jones, the forwarder discovered, was shipping washing machines to Peru. Obviously the type of packing used for shipments within Canada would not be strong enough. The forwarder advised that a wooden frame or crate with steel strapping would be needed and that these crates must carry special markings. He also asked how the shipment was to be consigned and the bills of lading made out.

Armed with this information, the forwarder went to work.

1. After a number of phone calls, he obtained the most advantageous rate for the shipper.
2. He then booked space on a ship offering this rate and due to arrive at the port of destination within the desired time. He advised the ABC Company by letter of this booking.
3. He made certain, in discussions with Mr. Jones, that the payment and financing arrangements were in order.
4. He verified whether or not an import licence was required or a Canadian export permit.
5. His staff prepared the necessary documentation for Peru: a consular invoice (four copies and in Spanish), a commercial invoice (one copy), and the B-13 export entry form. They had the consular invoice legalized by the Peruvian Consul and paid the fee.
6. When the ship was ready to load, the forwarder's truck picked up the shipment, checked the quantities, and took it to the dock.
7. At the shipper's request, after the vessel sailed the forwarder lodged with the collecting bank all the necessary documents against the letter of credit, including the ocean bill of lading.
8. Because the forwarder had an agent in Callao, the port at which the ship would dock in Peru, he instructed this agent to see that the shipment arrived in good condition and was sent to Lima, the ultimate destination.

This is a simplified version of the many services that the freight forwarder performs for a client, and the procedure outlined may vary with location and with the various carriers. But in general the freight forwarder is a person "who gets paid to make sure that an export shipment arrives at its destination." To this should be added: "as quickly as possible, in the best possible condition, and with a minimum of wear and tear on the exporter." In fact, he is an "instant traffic department." He is particularly sought after by companies without a traffic department though even those with well-established ones still call on the forwarder for special services or in shipping to certain areas. And because one of the essentials to export success is living up to delivery promises scrupulously, the forwarder has become a vital part of our export effort.

There are more than 120 international freight forwarders in Canada located in nearly all the provinces, though they tend to concentrate in the major ports. Some 65 of them belong to the Canadian International Freight Forwarders Association Inc., which was formed in 1949 and strives to maintain high standards in the forwarding business.

One of the benefits that the exporter receives from using a freight forwarder is a saving in time—time that he can devote more profitably to selling his goods than to fussing over documents or shipping details. Some exporters forget that as shipping clerks they are fairly high-priced. The forwarder also saves his client money. He can analyze shipping costs expertly and decide which is the most economical means of transportation. He can advise an exporter how to save on shipping costs by packing products in a way that saves weight or reduces cubic content. Many countries demand documents made out in their own language and some levy heavy fines for the slightest error in them, even a strike-over on the typewriter. The forwarder keeps abreast of changes in documentation requirements and his experienced staff can minimize or eliminate these errors. Trouble with delivery dates? Because of his long-standing relationship with the shipping companies, the forwarder can often get space for his client when it is tight or, for a new product, can help him negotiate an equitable rate. He can also handle difficult transshipment arrangements and deal with emergencies, such as dockers' strikes or other incidents that make changes in routing necessary.

Invariably the forwarder asks about the origin of the product being shipped and whether it contains imported parts or materials on which the manufacturer has already paid duty. If the product is going to a Commonwealth country and contains the stipulated Commonwealth content, the forwarder can advise whether it is eligible for Commonwealth preference. If it contains imported parts or materials, the exporter can probably claim a drawback of the duty paid on them; the forwarder's staff can prepare the drawback claim. Occasionally an exporter does not realize that for certain goods going to certain destinations he must have an export permit and in certain countries the importer must obtain an import licence. The forwarder can warn him and prevent him from getting into serious trouble.

Generally speaking, it is the small or the new exporter who has special need of the freight forwarder's expertise and many forwarders offer him services tailored to his requirements. For example, for a good many countries several shipments can be consolidated into one, with a consequent saving in freight charges. This shipment may be consigned to the forwarder's foreign agent or branch office in the port of destination—say Rotterdam. It is then broken up and the individual parcels sent on to the buyers. During the winter months, some forwarders in Eastern Canada operate their own export pool cars to Halifax or Saint John and this cuts down on inland transportation costs. And, as mentioned before, most forwarders maintain an open marine insurance policy and small shippers can be covered under it. One exporter who had forgotten to make arrangements for insurance was relieved when the forwarder drew the matter to the company's attention before the vessel sailed and issued an insurance certificate from his own open policy.

With each year, air freight is becoming more and more important in export trade; in fact, at least one forwarding firm with offices in Montreal, Toronto, Winnipeg, and Vancouver specializes in air freight alone. But all

forwarders know when and how air freight can be used to advantage. For example, one small shipment was going to Southern Africa by sea, packed in wooden crates. The forwarder made a cross comparison of rates and, weighing other factors also, discovered that the product could be put into cartons and sent air freight at a saving. It would arrive in equally good condition and the customer would be happy with the speed-up. By consolidating air cargo shipments from several exporters, a forwarder can also provide a saving in air freight costs, particularly in lower minimum charges for small shipments. Most forwarders in the East and some in the West maintain an up-to-date listing of air cargo tariffs and hold IATA-approved air cargo agency appointments.

One exporter wished to send something c.o.d.—samples of new merchandise to Britain. He did not wish his prospective customer to pay the postage but only the \$200 value of the merchandise. He brought the parcel into the forwarder's office, addressed to the consignee in care of the forwarder's agent in Britain. The British Customs invoices also went to the agent. He cleared the shipment and paid the postage. He then got in touch with the consignee, collected the \$200 and turned over the parcel.

Despite the care taken, a shipment sometimes goes astray. The alert forwarder puts a tracer on it immediately. If it is damaged, the overseas agent of the forwarder can assess this damage for purposes of a claim. He can also arrange to put the goods in storage until they can be sold to another buyer. The forwarder in these circumstances sends to the carrier or carriers what are known as "letters of reservation" to keep the claim open.

How does the exporter go about choosing a freight forwarder? He can obtain the names of firms in this business from a number of sources, such as the local Board of Trade or Chamber of Commerce in port cities, or he may write to the Transportation and Trade Services Branch, Department of Trade and Commerce, Ottawa, for its revised free directory. This lists freight forwarders by provinces and also, by the use of symbols, points out which ones operate pool cars or warehouses, act also as customs or chartering brokers, lease containers, carry on export packing or are air freight consolidators. Lists of freight forwarding firms are also published in *The Canadian Forwarder* and in McGoldrick's *Handbook of the Canadian Customs Tariff and Excise Duties*.

In selecting a forwarder, the exporter should use the following points as a guide:

- 1. His financial resources.** Usually the forwarder pays inland transportation charges, documentation fees, freight bills and other charges himself and later collects from his client. For this and other reasons, he needs adequate financial reserves.
- 2. His stability.** Find out what firms are currently using his services and check with them.
- 3. His organization.** Does he have a staff large enough to make speedy and efficient service possible? Are they well trained in various fields, such as

documentation or marking and labelling regulations? Do they keep abreast of changes in documentation requirements?

4. Field of specialization. If a firm intends doing most of its shipping by air, for example, it should look about for forwarders with special experience in this field.

5. His connections abroad. The forwarder with good connections or agents in a number of foreign countries can help the exporter in a number of ways not strictly related to the delivery of his goods. For example, he can send samples ahead of his travelling client and arrange to have them cleared through customs; he can line up interpreters or guides, make appointments with prospective customers, and so on. These services are especially useful in areas where there are no Canadian Trade Commissioners.

How much does a freight forwarder charge for his services? Are the fees that he receives from his clients his only source of revenue? To answer the second question first, bona fide forwarders normally receive brokerage fees from ocean carriers of $1\frac{1}{4}$ or $1\frac{1}{2}$ per cent of the ocean freight bill. This practice may vary, depending on the trade routes used.

To regular exporters the forwarder sometimes charges a flat fee, with a set minimum. More often, he charges so much for each set of documents required, plus an additional fee for extra services performed. On consolidated shipments, a minimum fee is paid by each of the shippers involved. On

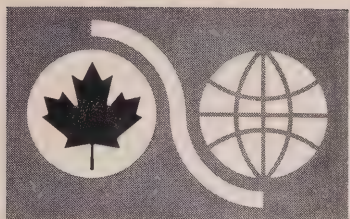
Schedule of Minimum Forwarding Fees^{*}

Obtaining export permits from Ottawa	\$5.00
Preparation of wharfage tickets & payment of wharfages	.50
Preparation of B-13 export entries	3.50
Preparation of Certificate of Origin forms (legalization fee, if required, additional at cost)	2.50
Preparation of B-14 export entries	8.50
Preparation of U.K., West Indies & Commonwealth invoices	2.50
Preparation of consular invoices re South America	5.00
Messenger service fee — optional (depending on distance)	
Preparation of insurance certificates	1.00
Booking ocean freight space, preparation of ocean bills of lading and basic forwarding fee	7.50
Airmail postage, stamps, forms — optional & extra	
Other services rendered — optional & depending on amount of work carried out, i.e., personal & H. H. effects	
Bulk shipments — optional — it is recommended that such rates be negotiated between forwarder and shipper	
OTHER DOCUMENTATION — refer to schedule of fees as issued by the Dominion Chartered Customs House Brokers Association	

^{*} This schedule was adopted at the fourteenth annual general meeting of the Canadian International Freight Forwarders Association in February 1963 and was issued for the guidance of its members.

many normal shipments the fees run from \$15 to \$25. Some years ago the Canadian International Freight Forwarders Association Inc. worked out and approved the schedule of minimum fees given in the box on page 197. These have recently been amended but the schedule is intended merely as a guide.

A number of companies new to export business begin by using a freight forwarder and when the business becomes sizable, set up their own traffic departments. Others continue to use forwarding services. They recognize that, as one experienced forwarder puts it, "the manner in which the shipment is delivered to the importer, the safe arrival, the neatness and exactness of the documents all play a vital role in exporting." They know that prompt and proper delivery keeps customers happy and leads to more business. In the growth of Canada's export trade the forwarder has played and is playing an important part.



Exports Take to the Air

BERNARD CORMIER, Air Canada, Montreal.

A TORONTO COMPANY shipping about 2,500 tons a month of electrical parts and parts to European markets by surface transportation decided not long ago to investigate using air freight. It discussed the matter with one of the major airlines and asked for facts and figures on shipping by air. When company executives studied these figures, they were so impressed that without hesitation they switched to using air transport.

This is not an unusual story; more and more firms shipping certain types of goods to certain destinations (especially Europe, the Caribbean, and the United States, but also as far away as Peru and Australia) are depending upon air cargo services. In fact, in the first six months of 1966, 6.4 million pounds of Canadian goods moved across the Atlantic, compared with only 4.8 million in the first half of 1965. These shipments covered a broad range—wearing apparel, communications equipment, cosmetics, automobile parts, agricultural implements, and precision machines.

Why did these manufacturers decide to use air cargo for all or part of their shipments? Reasons differed, but among the more common were:

Speed—The chain saw maker found that by surface transportation shipments took four to five weeks to reach his European customers. Air freight cut the time down to three to four days.

T/A 294A
1, 66NOT NEGOTIABLE
AIR WAYBILL
(AIR CONSIGNMENT NOTE)
ISSUED BY

No 011-679352

MEMBER OF INTERNATIONAL
AIR TRANSPORT ASSOCIATIONDESTINATION (AIRPORT OF)
PALISADOES TRCONSIGNEE TO
GORDON GRANT & COSTREET ADDRESS
KING STREETCITY AND COUNTRY
PORT OF SPAIN, TRIN.ALSO NOTIFY
J. Thompson, Customs Brokers Palisadoes Airport

No of PACKAGES	METHOD OF PACKING	NATURE AND QUANTITY OF GOODS	MARKS AND NUMBERS	DIMENSIONS OR VOLUME	GROSS WEIGHT SPECIFY KGS or LBS
14	Ctns	Ladies shoes	5600-5613	68 cu.ft.	725 lbs.

DOCUMENTS TO ACCOMPANY AIR WAYBILL Customs and Commercial Invoices, Blj's

SHIPPER'S DECLARED VALUE (Specify Currency)		METHOD OF ROUTING AND CHARGES — Agreed stopping places are those places (other than the places of departure and destination) shown under Air Carriage, and/or those places shown in carrier's timetables or scheduled stopping places for the route. SEE CONDITIONS ON REVERSE HEREOF.		SHIPPER MUST INSERT ITEM NUMBER CHARGEABLE TO SELF	
FOR CUSTOMS	FOR CARRIAGE				
\$1,315	NVD				
AIR CARRIAGE				CHARGEABLE TO CONSIGNEE	
DEPARTURE AIRPORT CITY	(ADDRESS OF FIRST CARRIER)	CHARGEABLE WEIGHT SPECIFY KGS. OR LBS.	RATE CLASSIFICATION	RATES	PREPAID
YUL					
1 TO POS	FIRST CARRIER A/C DIRECT	725#	21.99	.25	181.25
2 TO	CARRIER				
3 TO	CARRIER				
3a TO	CARRIER				
4 VALUATION CHARGE FROM	TO				
5 VALUATION CHARGE FROM	TO				
6 INSURANCE	IN WORDS	IN FIGURES			
	Fourteen Hundred Dollars	\$1400.00		.10	1.42
7 ORIGIN					
8 Pick Up					3.67
9					
10					
11 TRANSIT					
12 DESTINATION					
13					
14					
15					
16 C.O.D. FEE					
17 SHIPPER'S C.O.D.					
SHIPPER'S C.O.D. IN WORDS					186.30

The Shipper certifies that the particulars on the face hereof are correct and agrees to the CONDITIONS ON THE REVERSE HEREOF.

Carrier certifies above-described goods were received for carriage SUBJECT TO THE CONDITIONS ON THE REVERSE HEREOF. The goods then being in apparent good order and condition except as noted herein.

NAME OF SHIPPER
FRANCINE FOOTWEAR LTD
ADDRESS
**1400 Pare St.
Montreal.**EXECUTED ON
Aug 31/65 AT
Montreal

SIGNATURE OF SHIPPER

NAME AND ADDRESS OF
ISSUING CARRIER'S AGENT
AIR CANADA

BY BROKER/AGENT

SIGNATURE OF ISSUING CARRIER OR ITS AGENT

MONTREAL

COPIES 1, 2, AND 3 OF THIS AIR WAYBILL ARE ORIGINALS AND HAVE THE SAME VALIDITY

EXTRA COPY**No**

IF THE CARRIAGE INVOLVES AN ULTIMATE DESTINATION OR STOP IN A COUNTRY OTHER THAN THE COUNTRY OF DEPARTURE, THE WARSAW CONVENTION MAY BE APPLICABLE AND THE CONVENTION GOVERNS AND IN MOST CASES LIMITS THE LIABILITY OF CARRIERS IN RESPECT OF LOSS OF OR DAMAGE TO CARGO.

Inventory Reduction—because delivery is speeded up, the need for maintaining a large inventory in, say, Europe is eliminated. This cuts out high warehousing costs and frees capital for other uses.

Lower Packing Costs—products moving by air require lighter packing than those going by sea, because they are handled less. Keeping the gross weight low also keeps freight costs down. A Canadian firm moving T.V. sets to Jamaica, for example, discovered that domestic packing was sufficient for shipments by air. And in countries where duties are assessed on the weight, this also means less duty to pay.

Lower Insurance Costs—time in transit has a direct influence on the cost of insurance: the shorter the time the goods are in the hands of the carrier, the smaller the insurance premium. A shipper of electronic parts, for example, paid \$48 for insurance when using surface transportation and only \$11 when shipping by air.

Savings like those listed above go far towards offsetting what is, in most instances, the higher per pound rate for air shipments. But there are also other advantages outside the purely financial.

Among these are:

Customer Service—The customer gets his order more quickly and this is vital if he is waiting for a spare part or wants wearing apparel delivered in time to sell at the peak of the market. Or it may mean that he gets the most up-to-date model of a machine directly from the plant instead of a less current model stored in Europe.

Less Complicated Documentation—In shipping by air, one document, the air waybill, replaces the larger number of documents needed in using other forms of transport.

Sometimes using air cargo means the difference between some export or none. Take fresh lobsters, for instance. In 1962-63, a team of air cargo experts from Air Canada consulted with lobster shippers in the Maritimes and worked out methods of shipping lobster live to Europe to tickle gourmet palates. In that first season 500,000 pounds of live lobster were flown to European customers and brought the shippers some \$600,000. In 1963 air shipments rose to over 650,000 pounds worth over \$800,000. And air cargo has made it possible to sell other perishable products to foreign markets: fresh B.C. salmon in Europe, fresh fruit and vegetables in Bermuda and the Caribbean, Maritime Provinces strawberries in Boston and other U.S. centres. Recently new low transatlantic rates on meat products, fruit and vegetables, hatching eggs, etc., were introduced. These rates apply not only to perishable goods but also to leather goods, textiles, cosmetics, etc., and are expected to stimulate exports of these Canadian products to Britain and the EEC countries.

Naturally, certain types of goods are and probably always will be shipped by sea. This is true of many of our largest exports, such as grain, flour, and wood pulp. But even manufacturers in these fields use air freight

to send samples. Seasoned exporters realize how important it is to have samples in the hands of a prospective customer before his interest wanes. Canadian salesmen travelling in Europe have been known to cable their home plant for samples and these have reached the customer within a day or two, thanks in part to the time differential. Among the samples often sent by air freight are wearing apparel, aluminum products, plastics, canned foods, petroleum products, chemicals, and even pitprops. A Canadian cosmetic company used air transportation to get its products to a new area to test market demand there before deciding whether or not to set up a branch factory.

The International Air Transport Association, to which 96 of the world's airlines belong, has done a good deal to promote the use of air cargo and to simplify documentation and procedures. Periodically it organizes traffic conferences where agreement is reached on all aspects of air transportation, such as rates, conditions of carriage, interline arrangements, and so on. It has prepared a "restricted articles" tariff, which excludes the carriage of certain hazardous goods and specifies methods of packing for products like acids, paints and chemicals. Specific commodity rates boards meet every six months to consider applications submitted by individual carriers on behalf of shippers or receivers.

IATA has also worked out the standard air waybill mentioned earlier, with charges either prepaid or collect and covering a shipment from point of origin straight through to destination, even though more than one airline and possibly other means of transportation are involved. An exporter in Galt, Ontario, can dispatch goods by air to Athens, Greece, using the one air waybill. The shipment would have to go railway express to Toronto, be transferred to Air Canada in Toronto, be unloaded at one of Air Canada's European terminals, and be put on another airline's plane going to Greece. One document covers the whole process and one through rate is quoted to the exporter.

Since November 1, 1965, it has been possible to ship goods from off-line points in Canada by rail or truck to pick-up centres at major airports, then by air to the major airport nearest the destination point, then by truck or rail again to the consignee. All these transactions are recorded on a single document.

The internal adjustments that arrangements like these involve are effected through a clearing-house that IATA has set up. Where government regulations permit, the airlines offer c.o.d. service. There are no customs formalities to delay transfer traffic at interchange points like London, Paris, Zurich, Duesseldorf and Vienna, and shipments pass through these cities in a matter of hours.

Every international airline offers cargo insurance: rates to Europe are as low as 15 cents per \$100.00 and include door-to-door coverage; shippers are encouraged to take advantage of this protection. If a shipper declares a value for carriage of over \$8.09 a pound, the airlines assess a valuation

charge. Normally, however, the exporter declares a lesser value and pays airline insurance.

In 1961, slightly over 2.9 million pounds of air freight were carried by air both ways between Canada and Europe; for the first six months of 1966 alone, the figure was over 6.4 million pounds. This increase is expected to continue and the airlines are setting up modern air freight terminals to handle the growing volume of business. These terminals contain the most modern equipment for processing air cargo quickly and efficiently.

The introduction of jet freighters has made it possible for Air Canada, for example, to handle bulk freight through a pallet system of loading. Today it is common for a shipper to tender individual pieces of cargo measuring 100 by 80 by 60 inches. Air Canada's jet trader can handle pieces of this size from Vancouver through to Vienna, with intermediate stops at major Canadian and European airports. A DC-8 trader aircraft covering the transatlantic route carries seven 7,000-pound pallets and 60 economy class passengers and operates from Montreal to Europe and return three times a week.

What started out 25 years ago as a high-cost premium service for special shipments has now become an everyday method of moving goods from Canada to a large number of countries. Cargo rates have been lowered and new incentive tariffs have been introduced on special commodities and on specific routes. The airline companies, in fact, are striving constantly to give the customer the lowest possible rates and the highest quality of service and to make the use of air cargo in serving export markets much more widespread.

Bibliography

General Books on Exporting

Arnold, J. R. **Practical Exporting and Importing in Canada**. Toronto, University of Toronto Press, 1961. 120 p.

Price: \$4.95.

Order from: University of Toronto Press, Front Campus, University of Toronto, Toronto 5, Ontario.

Baxter, I. F. G. and I. R. Feltham, Editors. **Export Practice**. Toronto, Carswell, 1964. 134 p. (Commercial Law Series, No. 1)

Price: \$7.75.

Order from: Carswell Co. Ltd., 145 Adelaide St. W., Toronto 1, Ontario.

Canadian Manufacturers' Association. **Understanding Export**; a Series of Six Articles Written for Industrial Canada. Toronto. 1961. 16 p.

Price: 50 cents.

Order from: Canadian Manufacturers' Association, 67 Yonge St., Toronto 1, Ontario.

Croner, U. H. E. **How to Export Goods**. 2d Ed. Rev. London, Pitman, 1962. 85 p.

Price: \$2.30.

Order from: Sir Isaac Pitman (Canada) Ltd., 383 Church St., Toronto 2, Ontario.

Dartnell International Trade Handbook. 2d Ed. Chicago, Dartnell Corporation, 1965. 1,023 p.

Price: \$17.50.

Order from: General Publishing Co. Ltd., 30 Lesmill Road, Don Mills, Ontario.

Exporters' Encyclopaedia. Containing Full and Authentic Information Relative to Shipments for Every Country in the World. New York, Dun and Bradstreet. Annual. (Kept up-to-date by supplementary bulletins issued twice a month.)

Price: \$50.00.

Order from: Exporters' Encyclopaedia, 466 Lexington Ave., New York, N.Y. 10017.

King, A. M. and W. C. King. **Adventures in Export**. Belleville, Ill., Marsh Publishing Co., 1964. 144 p.

Price: \$2.50.

Order from: Marsh Publishing Co., 711 East B St., Belleville, Illinois.

MacDonald, P. **Practical Exporting and Importing**. 2d Ed. New York, Ronald Press, 1959. 540 p.

Price: \$7.00.

Order from: General Publishing Co. Ltd., 30 Lesmill Road, Don Mills, Ontario.

Paulden, S. M. **Plan Your Export Drive**. London, Arlington Books, 1965. 203 p.

Price: \$9.00.

Order from: Ryerson Press, 299 Queen St. W., Toronto 2B, Ontario.

Stanley, A. O. **Handbook of International Marketing; How to Export, Import and Invest Overseas**. New York, McGraw-Hill, 1963. 680 p.

Price: \$17.50.

Order from: McGraw-Hill Co. of Canada Ltd., 330 Progress Ave., Scarborough, Ontario.

Taylor, D. F. and E. A. Rutland. **Teach Yourself Exporting**; a Practical Manual for Those Concerned with the Export Trade of Companies Both Large and Small. London, English Universities Press, 1961. 181 p.

Price: \$1.75.

Order from: Musson Book Company, 103-107 Vanderhoof Ave., Toronto 17, Ontario.

Dictionaries and Abbreviations

First National Bank of Toledo. **Glossary of Terms.** (Abbreviations Used in International Business.) Toledo, Ohio, 1965. 63 p.

Price: Free.

Order from: First National Bank of Toledo, Toledo, Ohio.

Hanson, J. L. **A Dictionary of Economics and Commerce.** London, MacDonald & Evans, 1965. 401 p.

Price: 35s.

Order from: MacDonald & Evans Ltd., 8 John Street, London, W.C.1, England.

Woollam, W. G. **Shipping Terms and Abbreviations: Maritime-Insurance-International Trade.** Cambridge, Md., Cornell Maritime Press, 1963. 144 p.

Price: \$4.00.

Order from: General Publishing Co. Ltd., 30 Lesmill Road, Don Mills, Ontario.

Periodicals

Board of Trade Journal. Weekly.

Price: £5 6s. 8d. (\$21.40) per year.

Order from: Offices of the British Information Services in Canada.

Business Abroad. Biweekly.

Price: \$10.00 per year.

Order from: Dun and Bradstreet, Inc., 99 Church St., New York, N.Y. 10007.

Commerce extérieur. Monthly.

Price: \$2.00 per year.

Order from: Queen's Printer, Ottawa.

EFTA Bulletin. Monthly. (Also published in French and German editions.)

Price: Free.

Order from: EFTA Information Office, Suite 714, 711 14th St., N.W., Washington, D.C. 20005.

Export. Official Journal of The Institute of Export. Monthly.

Price: 42s. per year.

Order from: Export, 37 Great James St., London, W.C.1, England.

Foreign Trade. Fortnightly.

Price: \$5.00 per year.

Order from: Queen's Printer, Ottawa.

International Commerce. Weekly.

Price: \$16.00 per year.

Order from: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

International Trade Forum. Quarterly. (Also published in French and Spanish editions.)

Price: Free.

Order from: GATT International Trade Centre, Villa Le Bocage, Palais des Nations, 1211 Geneva 10, Switzerland.

World Business. Bimonthly.

Price: Free.

Order from: Economic Research Division, Chase Manhattan Bank, N.A. 1 Chase Manhattan Plaza, New York, N.Y. 10015.

Selecting Export Markets

Bank of Montreal and Department of Trade and Commerce. **Export Markets in Brief, a Guide for Canadian Exporters.** 3d Ed., Montreal, 1965. 111 p.

Price: Free.

Order from: Branches of the Bank of Montreal.

Deschampsneufs, H. **Selling Overseas: the Principles of Export Marketing.** London, Business Publications, 1960. 293 p.

Price: \$9.75.

Order from: Ambassador Books Ltd., 370 Alliance Ave., Toronto 9, Ontario.

Economist Intelligence Unit. **Quarterly Reviews**. Series of 58 quarterly reviews on economic conditions in different countries and groups of countries, e.g., Yugoslavia, East Europe, South, etc.

Price: Subscription to individual reviews £10 per year.

Order from: Economist Intelligence Unit Ltd., 27 St. James's Place, London, S.W.1, England.
Fayerweather, J. **International Marketing**. Englewood Cliffs, N.J., Prentice-Hall, 1965. 120 p.

Price: \$1.75.

Order from: Prentice-Hall of Canada Ltd., 520 Ellesmere Road, Scarborough, Ontario.

Hodges, T. M. **Selling in the Export Market**. London, Pitman, 1959. 104 p.

Price: \$3.50.

Order from: Sir Isaac Pitman (Canada) Ltd., 383 Church St., Toronto 2, Ontario.

Kramer, R. L. **International Marketing**. Cincinnati, South-Western Publishing Co., 1959. 646 p.

Price: \$7.25.

Order from: W. J. Gage Ltd., 1500 Birchmount Rd., Scarborough 4, Ontario.

OECD. **Exploration of New Markets by Small and Medium Sized Firms**. Report of the Conference held in Vienna, 2-4 Oct., 1961. Paris, 1962. 86 p.

Price: \$1.00.

Order from: Queen's Printer, Ottawa.

OECD. **Market Research by Trade Associations: a Practical Guide for Trade Associations on How to Organise and Undertake Market Research**. Paris, 1964. 92 p.

Price: \$1.10.

Order from: Queen's Printer, Ottawa.

Root, F. R. **Strategic Planning for Export Marketing**. Copenhagen, E. Harcks, 1964. 146 p.

Price: 17 Danish Kroner.

Order from: Einar Harcks Forlag, Filostræde No. 33, Copenhagen, Denmark.

United States. Department of Commerce. Bureau of International Commerce. **Overseas Business Reports**. Series of reports issued on more than 100 countries giving current information on economic conditions, tariffs, market profiles, trade statistics, surveys of markets for various products in individual countries, etc.

Price: \$13.00 per year on subscription. Individual reports are priced at 15 cents each.

Order from: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

United States. Small Business Administration. **Export Marketing for Smaller Firms**—2nd Ed. Washington, 1966. 80 p.

Price: 50 cents.

Order from: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Statistical Publications

Canada. Dominion Bureau of Statistics. **Trade of Canada: Exports by Commodities**. Ottawa. Monthly. (December issue contains statistics for the year.) (Cat. No. 65-004)

Price: \$7.50 per year, 75 cents a copy.

Order from: Queen's Printer, Ottawa.

Great Britain. Board of Trade. **Overseas Trade Accounts of the United Kingdom**. London, H.M.S.O. Monthly. (December issue contains statistics for the year.)

Price: £18 17s. 0d. (\$74.50) per year, £1 10s. 0d. (\$6.00) a copy.

Order from: Offices of the British Information Services in Canada.

Great Britain. Commissioners of Customs and Excise. **Annual Statement of Trade of the United Kingdom**, London, H.M.S.O. Annual in 4 volumes. Volume 3 (latest covers year 1963) details exports of United Kingdom produce and manufactures.

Price: £10 (\$40.00) for Volume 3.

Order from: Offices of the British Information Services in Canada.

OECD. Sources of Statistics for Market Research: Europe and North America. Paris, 1964. 6 volumes.

Volumes cover: 1. Radio Sets (\$6.50); 2. Footwear (\$11.00); 3. General Statistics (\$2.50); 4. Household Appliances (\$6.50); 5. Machine Tools (\$3.30); 6. Pharmaceuticals (\$6.50).
Order from: Queen's Printer, Ottawa.

United Nations. Statistical Office. Commodity Trade Statistics. (Statistical Papers Series L.) New York. Quarterly.

Price: \$10.00 per year.

Order from: Queen's Printer, Ottawa.

United Nations. Statistical Office. Yearbook of International Trade Statistics. New York. Annual. (Latest edition is 1964, published in 1966.)

Price: \$11.50.

Order from: Queen's Printer, Ottawa.

United States. Bureau of the Census. United States Exports, Correlation by Country. (FT410). Washington, U.S. Government Printing Office. Monthly. (Describes and contains statistics for the year.)

Price: \$25.00 per year; price per copy varies.

Order from: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

How to Work Out Export Prices

Arnold, J. R. Practical Exporting and Importing in Canada. Toronto, University of Toronto Press, 1961. 120 p.

Price: \$4.95.

Order from: University of Toronto Press, Front Campus, University of Toronto, Toronto, Ontario.

Canadian Manufacturers' Association. Pricing for Export. Toronto, 1963. 7 p.

Price: Free.

Order from: Canadian Manufacturers' Association, 67 Yonge St., Toronto 1, Ontario.

Kramer, R. L. International Marketing. Cincinnati, South-Western Publishing Co., 1963. 646 p.

Price: \$7.25.

Order from: W. J. Gage Limited, 1500 Birchmount Road, Scarborough 4, Ontario.

MacDonald, P. Practical Exporting and Importing. 2d Ed. New York, Ronald Press, 1963. 540 p.

Price: U.S. \$7.00.

Order from: General Publishing Co. Ltd., 30 Lesmill Road, Don Mills, Ontario.

United States. Small Business Administration. Export Marketing for Smaller Firms. Washington, U.S. Government Printing Office, 1963. 89 p.

Price: 50 cents.

Order from: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Trade Terms Must Be Defined

International Chamber of Commerce. Incoterms 1953. 67 p.

Price: ICC members—\$1.00, non-members—\$1.25.

Order from: Canadian Council, International Chamber of Commerce, 1224 St. Catherine St. W., Montreal 25, Quebec.

International Chamber of Commerce. Trade Terms. 1953. 136 p.

Price: ICC members—\$2.00, non-members—\$2.75.

Order from: Canadian Council, International Chamber of Commerce, 1224 St. Catherine St. W., Montreal 25, Quebec.

National Foreign Trade Council. **Revised American Foreign Trade Definitions.** New York, 1941. 16 p.

Price: 10 cents.

Order from: National Foreign Trade Council, 10 Rockefeller Plaza, New York, N.Y.

Organizing for Export

Kramer, R. L. **International Marketing.** Cincinnati, South-Western Publishing Co., 1959. 646 p.

Price: \$7.25.

Order from: W. J. Gage Limited, 1500 Birchmount Road, Scarborough 4, Ontario.

OECD. **Export Marketing Groups for Small and Medium-Sized Firms.** Paris, 1964. 71 p.

Price: \$1.25.

Order from: Queen's Printer, Ottawa.

Stuart, R. D. **Penetrating the International Market; Effective Overseas Distribution.** New York, American Management Association, 1965. 176 p. (AMA Management Reports, No. 84)

Price: AMA members—\$4.00, non-members—\$6.00.

Order from: American Management Association, 135 W. 50th St., New York, N.Y. 10020.

Finance and Credit in Normal Exporting

Canadian Bankers' Association. **The Role of the Canadian Chartered Banks in Financing Foreign Trade and Other International Transactions.** Toronto, 1965. 22 p.

Price: Free.

Order from: Canadian Bankers' Association, 50 King St. W., Toronto, Ontario.

Canadian Imperial Bank of Commerce. **Foreign Trade News.** Toronto. Monthly. Each monthly bulletin covers selected foreign markets, giving current information on business conditions and foreign trade.

Price: Free.

Order from: Branches of the Canadian Imperial Bank of Commerce.

Hugill, C. G. **Commercial Letters of Credit: Handbook for Use in Canada.** Montreal, 1956. 119 p.

Price: \$3.95.

Order from: Mr. C. G. Hugill, Box 1051, Place d'Armes P.O., Montreal, Quebec.

International Chamber of Commerce. **Uniform Customs and Practice for Documentary Credits.** (1962 Revision). Paris, 1963. 36 p. (Brochure 222) Text in English and French.

Price: 75 cents.

Order from: Canadian Council, International Chamber of Commerce, 1224 St. Catherine St. W., Montreal 25, Quebec, or any chartered bank.

Royal Bank of Canada. **Financing Foreign Trade.** Montreal, 1957. 149 p.

Price: Free.

Order from: Branches of the Royal Bank of Canada.

Shepherd, S. A. **Foreign Exchange in Canada: an Outline.** 3d Ed. Toronto, University of Toronto Press, 1961. 267 p.

Price: \$5.95.

Order from: University of Toronto Press, Front Campus, University of Toronto, Toronto 5, Ontario.

Syrett, W. W. **Finance of Overseas Trade.** 4th Ed. London, Pitman, 1964. 255 p. Excellent for basic practice but discount and bill market facilities mentioned may not be available in Canada.

Price: \$7.15.

Order from: Sir Isaac Pitman (Canada) Ltd., 383 Church Street, Toronto 2, Ontario.

Marine Insurance and the Exporter

Canadian Board of Marine Underwriters. **Exporter's Guide to Cargo Insurance**. Montreal, 1963. 16 p.

Price: Free.

Order from: Member firms of the Board.

Insurance Company of North America. **The ABC's of Ocean Cargo Insurance for the Exporter**. Philadelphia, 1963. 14 p.

Price: Free.

Order from: Canadian Head Office, Insurance Company of North America, 491 Eglinton Ave. W., Toronto, Ontario.

Insurance Company of North America. **Marine Insurance: Notes and Comments on Ocean Cargo Insurance**. 3d Ed. Philadelphia, 1962. 51 p.

Price: Free.

Order from: Canadian Head Office, Insurance Company of North America, 491 Eglinton Ave. W., Toronto, Ontario.

Templeman and Greenacre. **Marine Insurance—Its Principles and Practice**. London, Witherby and Co. Limited.

Price: Not available.

Order from: Witherby & Co. Limited, 15 Nicholas Lane, London, E.C.4, England.

Tetley, W. **Marine Cargo Claims**. Toronto, Carswell, 1965. 404 p.

Price: \$25.00.

Order from: Carswell Co. Ltd., 145 Adelaide St. W., Toronto 1, Ontario.

Winter, W. D. **Marine Insurance: Its Principles and Practice**. 3d Ed. New York, McGraw-Hill, 1952. 531 p.

Price: \$9.50.

Order from: McGraw-Hill Co. of Canada Ltd., 330 Progress Ave., Scarborough, Ontario.

Obtaining Export Credits Insurance

Bank for International Settlements. **Export Credit Insurance and Export Credit**, (in 14 countries). 4th Ed. Basle, 1965. 290 p.

Price: Free.

Order from: Monetary and Economic Department, Bank for International Settlements, Basle, Switzerland.

Export Credits Insurance Corporation. **Annual Report and Financial Statements**. Ottawa.

Price: Free.

Order from: Export Credits Insurance Corporation, P.O. Box 655, Ottawa, Ontario.

Export Credits Insurance Corporation. **Export Credits Insurance Corporation—What It Is & How It Operates**. Ottawa, 1965. 20 p.

Price: Free.

Order from: Export Credits Insurance Corporation, P.O. Box 655, Ottawa, Ontario.

Getting and Keeping Salesmen Abroad

Institute of Export. **Specimen Agency Agreements for Exporters as Suggested and Approved by the Institute of Export**. London, 1964. 15 p.

Price: 25 cents.

Order from: The Institute of Export, Export House, 14 Hallam St., London, W. 1, England.

International Chamber of Commerce. **Commercial Agency: Guide for the Drawing Up of Agency Contracts between Parties Residing in Different Countries**. Paris, 1961. 23 p. (Brochure No. 213)

Price: 75 cents.

Order from: Canadian Council, International Chamber of Commerce, 1224 St. Catherine St. W., Montreal 25, Quebec.

Trade Fairs Can Help You Sell

Carmel, J. H. **Exhibition Techniques: Travelling and Temporary.** New York, Reinhold, 1962. 216 p.

Price: \$15.00.

Order from: General Publishing Co. Ltd., 30 Lesmill Road, Don Mills, Ontario.

Great Britain. Board of Trade. **Trade Fairs Help Exports: Hints for the Small Exhibitor.** London, H.M.S.O., 1965. 18 p.

Price: Free.

Order from: Offices of the British Information Services in Canada.

Gutmann, R. **Exhibition Stands.** London, Tiranti, 1962. 272 p.

Price: £6 6s. 0d.

Order from: Alec Tiranti Ltd., 72 Charlotte St., London, W.1, England.

International Directory of Fairs and Exhibitions. Athens, Graphointer. Annual.

Price: \$5.00.

Order from: Graphointer, 4 Stadiou St., Athens 133, Greece.

Four Principles of Export Correspondence

Arnold, J. R. **Practical Exporting and Importing in Canada.**

Toronto, University of Toronto Press, 1961. 120 p.

Price: \$4.95.

Order from: University of Toronto Press, Front Campus, University of Toronto, Toronto 5, Ontario.

Harvard, J. and F. Rose. **Bilingual Guide to Business and Professional Correspondence, French-English (and English-French).** Oxford, Pergamon Press, 1965. 140 p. (Pergamon Bilingual Series, Vol. 1).

Price: \$4.95.

Order from: Pergamon Press Ltd., 6 Adelaide St. East, Toronto, Ontario.

Harvard, J. **Bilingual Guide to Business and Professional Correspondence, German-English (and English-German).** Oxford, Pergamon Press, 1965. 140 p. (Pergamon Bilingual Series, Vol. 2).

Price: \$4.95.

Order from: Pergamon Press Ltd., 6 Adelaide St. East, Toronto, Ontario.

Why Not Get Up and Go?

Finney, P. B. **Business Week's The Businessman's Guide to Europe.** New York, McGraw-Hill, 1965. 625 p.

Price: \$10.00.

Order from: McGraw-Hill Co. of Canada Ltd., 330 Progress Ave., Scarborough, Ontario.

London, Board of Trade. **Hints to Business Men Series.** Irregular.

Price: Free.

Order from: Offices of the British Information Services in Canada.

Lurie, R. G. **Passports and Profits: Pan Am's Guide to Doing Business in 105 Countries.** New York, Pan American Airways; distributed by Doubleday, Garden City, N.Y., 1964. 672 p.

Price: \$5.95.

Order from: Doubleday Canada Ltd., 105 Bond St., Toronto 2, Ontario.

Pan American World Airways, Inc. **New Horizons: Living Abroad: Pan American's Guide to Living Conditions in 90 Countries,** by Eleanor B. Pierce. Rev. Ed. New York, 1965. 831 p.

Price: \$4.95.

Order from: Doubleday Canada Ltd., 105 Bond St., Toronto 2, Ontario.

Promoting Sales in Foreign Markets

Dunn, S. W. **International Handbook of Advertising**. New York, McGraw-Hill, 1961. 788 p. (McGraw-Hill Series in International Development)

Price: \$24.00.

Order from: McGraw-Hill Co. of Canada Ltd., 330 Progress Ave., Scarborough, Ontario.

International Advertiser: The Magazine for International Marketing Executives. Monthly.

Price: Members—Free, non-members—\$15.00.

Order from: International Advertising Association, Inc., 475 5th Ave., New York, N.Y. 10017.

International Chamber of Commerce. **Advertising Conditions and Regulations in Various Countries**. 2d Rev. & Enl. Ed. Basel, Switzerland, Verlag für Recht und Gesellschaft AG, 1964. 17 pamphlets. (I.C.C. Document No. 15) Published in English-French.

Price: Members—\$20.00, non-members—\$30.00.

Order from: Canadian Council, International Chamber of Commerce, 1224 St. Catherine St. W., Montreal 25, Quebec.

International Chamber of Commerce. **Dictionary of Advertising and Distribution in Eight Languages**. Basel, Switzerland, Verlag für Recht und Gesellschaft AG, 1954. Unpaged. (I.C.C. Document No. 14)

Price: Members—\$13.00, non-members—\$20.00.

Order from: Canadian Council, International Chamber of Commerce, 1224 St. Catherine St. W., Montreal 25, Quebec.

Media/Scope's International Media Buyer's Check List: Basic Considerations for the Advertiser or Agency Contemplating the Use of Overseas Media. (In *Media/Scope* 10: 141-3 Apr. '66)

Price: 75 cents per issue.

Order from: Media/Scope, Standard Rate & Data Service, Inc., 3201 Oakwood Road, Skokie, Illinois.

United States. Bureau of Foreign Commerce. **A Directory of Foreign Advertising Agencies and Marketing Research Organizations**. Washington, D.C., Department of Commerce, 1959. 135 p.

Price: 45 cents.

Order from: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Licensing Production Abroad

Cardinale, J. S. **Manual on the Foreign License and Technical Assistance Agreement**. New York, Ashwell, 1958. 128 p.

Price: \$12.50.

Order from: Thomas Ashwell & Co. Inc., 20 Vesey St., New York, N.Y. 10007.

Hale, N. E. **Know-How & Licensing**. 3 p.

Price: Free.

Order from: Mr. N. E. Hale, Hale & Associates Ltd., 2483 Lakeshore Blvd. W., Toronto 14, Ontario.

Myers, J. G. **Foreign Licensing—an Export Alternative**. Pros and Cons of Using Foreign Licensing Agreements in Lieu of, or along with, an Active Export Program (Canada). (In *The Business Quarterly*, Fall '60, p. 167-175)

Price: On request.

Order from: The Business Quarterly, School of Business Administration, University of Western Ontario, London, Ontario.

N.I.C.B. **Foreign Licensing Agreements: I. Evaluation and Planning**. 88 p. II. **Contract Negotiation and Administration**. 96 p. New York, 1958-1959. (Studies in Business Policy, No. 86 and No. 91)

Price: Pt. I. NICB associate members—\$3.00, non-associate—\$15. Pt. II. NICB associate members—\$4.00, non-associate—\$20.

Order from: National Industrial Conference Board, Inc., 615 Dorchester St. W., Montreal, Quebec.

Getting Help with Export Problems

Canada. Department of Trade and Commerce. **Trade and Commerce at Your Service.** Ottawa, 1966. 44 p.

Price: Free.

Order from: Department of Trade and Commerce, Ottawa 4, Ontario.

Canadian Export Association. **Bulletin.** Montreal. Irregular. Gives current information of importance to exporters, and includes a section on export opportunities.

Price: Free to members of CEA.

Order from: Canadian Export Association, Sun Life Bldg., Montreal 2, Quebec.

Canadian Manufacturers' Association. **Export Methods and Services.** Toronto, 1966. 38 p. (Reprint from the 1966 **Canadian Trade Index.**)

Price: CMA members—\$1.00, non-members—\$2.00.

Order from: Canadian Manufacturers' Association, 67 Yonge St., Toronto 1, Ontario.

Understanding Foreign Tariffs

Canada. Department of Trade and Commerce, Office of Trade Relations. **Shipping Documents and Customs Regulations.** Ottawa. Irregular. Reports issued on various countries.

Price: Free.

Order from: Office of Trade Relations, Department of Trade and Commerce, Ottawa 4, Ontario.

Contracting Parties to the General Agreement on Tariffs and Trade. **The Role of GATT in Relation to Trade and Development.** Geneva, 1964. 56 p.

Price: Free.

Order from: Queen's Printer, Ottawa.

Customs House Guide. United States Tariff Schedules; Customs Ports; Internal Revenue Code; Customs, Shipping and Commerce Regulations; Reciprocal Trade Agreements. New York, Budd. Annual. (Includes subscription to American Import & Export Bulletin.)

Price: \$35.00.

Order from: Budd Publications, Inc., 26 Beaver St., New York, N.Y. 10004.

The General Agreement on Tariffs and Trade (GATT). Canadian Imperial Bank of Commerce Commercial Letter, April, 1964. 8 p.

Price: Free.

Order from: Branch offices of the Canadian Imperial Bank of Commerce.

Great Britain. Central Office of Information, Reference Division. **The General Agreement on Tariffs and Trade (GATT).** London, H.M.S.O., 1964. 26 p. (R5470/64)

Price: Free.

Order from: Offices of the British Information Services in Canada.

McGoldrick's **Handbook of the Canadian Customs Tariff and Excise Duties.** Montreal, McMullin. Annual.

Price: \$10.00.

Order from: McMullin Publishers Ltd., 417 St. Peter St., Montreal, Quebec.

United States. Department of Commerce, Bureau of International Commerce. **GATT: General Agreement on Tariffs and Trade.** Washington, 1964. 16 p.

Price: 25 cents.

Order from: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

United States. Department of Commerce, Bureau of International Commerce. **Overseas Business Reports.** One title issued in this series covering various countries is **Foreign Trade Regulations of . . .** Washington. Irregular.

Price: 15 cents each.

Order from: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Documenting Export Shipments

Canada. Department of Trade and Commerce. Office of Trade Relations. **Customs Information for Canadian Exporters to the United States.** 28 p.

Price: Free.

Order from: Office of Trade Relations, Department of Trade and Commerce, Ottawa 4, Ontario.

Canada. Department of Trade and Commerce. Office of Trade Relations. **Shipping Documents and Custom Regulations.** Ottawa. Irregular. Reports issued on various countries.

Price: Free.

Order from: Office of Trade Relations, Department of Trade and Commerce, Ottawa 4, Ontario.

Canadian Export Association. **Members' Documentation Guide.** Rev. Ed. Montreal, 1966. 10 p.

Price: Free.

Order from: Canadian Export Association, Sun Life Bldg., Montreal 2, Quebec.

Foreign Patents and the Exporter

Bureau voor Technische Adviezen. **Manual for the Handling of Applications for Patents, Designs and Trade Marks throughout the World.** Amsterdam. Octrooibureau, 1927, revised to date. 600 p.

Price: \$36.70; annual correction sheets \$13.40.

Order from: Octrooibureau Los en Stigter, Weteringschans 96, Amsterdam, Holland.

Fortune Magazine. October 1965. Advertisement on p. 43 by Sumimoto Electric Company.

Price: \$1.50 per copy.

Order from: Time Inc., 540 N. Michigan Avenue, Chicago, Illinois 60611.

Hamer, Whitman, Todds and Goudreau. Panel Discussion on Patent Licensing. **Proceedings of the Patent and Trademark Institute of Canada,** October 1965. See particularly the bibliography. Available in the Library of the Commissioner of Patents, Ottawa, Ontario.

National Industrial Conference Board. **Foreign Licensing Agreements, Studies in Business Policy.** Nos. 86 and 91. New York, 1958, 1959.

Price: \$10.50.

Order from: National Industrial Conference Board, 615 Dorchester Boulevard West, Montreal, Quebec.

United International Bureaux for the Protection of Intellectual Property. **Model Law for Developing Countries on Inventions.** BIRPI Publication No. 801 (E). Geneva, 1965. 125 p.

Price: \$3.00.

Order from: United International Bureaux for the Protection of Intellectual Property, 32, chemin des Colombettes, Geneva, Switzerland.

United Nations. **The Role of Patents in the Transfer of Technology to Developing Countries.** Report of the Secretary General. United Nations Publication No. 65 II B 1. New York, 1964. 95 p.

Price: U.S. \$1.50.

Order from: Queen's Printer, Ottawa.

Wade, W. and L. Chereau. **How to Exploit Patents and Knowhow in Europe,** Ardmore, Pa., Advance House, 1963. 194 p.

Price: U.S. \$12.50.

Order from: Advance House, P.O. Box 334, Ardmore, Pennsylvania.

White, W. W. and B. G. Ravenscroft. **Patents Throughout the World.** New York, Trade Activities, 1948. (Revised to date) 500 p.

Price: U.S. \$20.25.

Order from: Trade Activities Inc., 347 Madison Avenue, New York, N.Y. 10017.

Protecting Trademarks in Foreign Markets

Fox, H. G. **Canadian Law of Trademarks and Unfair Competition**, 2d Ed. Toronto, Carswell, 1956. 2 vols.

Price: \$45.00.

Order from: Carswell Co. Ltd., 145 Adelaide St. W., Toronto 1, Ontario.

Offner, E. D. **International Trademark Protection**. New York, Fieldston Press, 1965. 285 p.

Price: \$20.00.

Order from: Fieldston Press, Box 3413, New York, N.Y. 10017.

Ravenscroft, B. G. and W. W. White. **Trademarks Throughout the World**. New York, Trade Activities, 1925, 2d Ed. (Revised to date.) 1006 p.

Price: \$15.00.

Order from: Trade Activities Inc., 347 Madison Avenue, New York, N.Y. 10017.

United States Trademark Association. **Trademark Management**. New York. Monthly.

Order from: United States Trademark Association, 6 E. 45th St. New York, N.Y. 10017.

Protecting Industrial Designs

Bureau voor Technische Adviezen. **Manual for the Handling of Applications for Patents, Designs and Trade Marks throughout the World**. Amsterdam, Octrooibureau, 1927, revised to date. 600 p.

Price: \$36.70; annual correction sheets \$13.40.

Order from: Octrooibureau Los en Stigter, Weteringschans 96, Amsterdam, Holland.

Compendium of Design Laws and Treaties of the World. Published in agreement with the United Nations Educational, Scientific and Cultural Organization and the United International Bureaux for the Protection of Intellectual Property and of Literary and Artistic Works by The Bureau of National Affairs Inc., Washington, D.C.

Price: Not available.

Order from: The Bureau of National Affairs Inc., 1231 24th St. N.W., Washington 7, D.C.

Export Packing Needs Knowhow

Canada. Department of Forestry. Forest Products Research Branch. **The Principles and Problems of Export Packing** by C. H. Nethercote. Ottawa, Queen's Printer, 1961. 47 p. (Technical Note No. 29).

Price: Free.

Order from: Public Information Section, Dept. of Forestry, Ottawa, Ontario.

Canadian Government Specifications Board. **Packing Materials**. Ottawa, N.R.C. (See individual titles listed in their Index of Specifications and Standards under heading Packaging Materials, Series 43-GP).

Price: Various prices asked for specifications.

Order from: Secretary, Canadian Government Specifications Board, National Research Council, Ottawa, Ontario.

Canadian Standards Association. **List of Publications**. Ottawa. Annual. (See individual specifications on packaging listed in Section Z—Miscellaneous).

Price: Various prices asked for specifications.

Order from: Canadian Standards Association, 235 Montreal Road, Ottawa 7, Ontario.

Friedman, W. and J. Kipnees. **Industrial Packaging**. New York, Wiley, 1960. 536 p.

Price: \$12.50.

Order from: General Publishing Co. Ltd., 30 Lesmill Road, Don Mills, Ontario.

Modern Packaging Encyclopedia. New York. Annual.

Price: \$4.50.

Order from: Breskin Publications Division, McGraw-Hill, Inc., 770 Lexington Ave., New York, N.Y. 10021.

Packaging Institute, Inc. **Glossary of Packaging Terms: Standard Definitions of Trade Terms Commonly Used in Packaging.** 3d Ed. New York, 1961. 172 p.

Price: \$3.50.

Order from: Packaging Institute, Inc., 342 Madison Ave., New York, N.Y. 10017.

Packaging Periodicals

Canadian Packaging. Monthly.

Price: \$5.00 per year.

Order from: Maclean-Hunter Publishing Co. Ltd., 481 University Ave., Toronto 2, Ontario.

Modern Packaging. Monthly.

Price: \$9.00 per year.

Order from: Breskin Publications Division, McGraw-Hill, Inc., 770 Lexington Ave., New York, N.Y. 10021.

Packaging Progress. Monthly.

Price: \$6.00 per year.

Order from: Southam Business Publications Ltd., 1450 Don Mills Road, Don Mills, Ontario.

The Dynamics of Export Transportation

Croner, U. H. E. **World Directory of Freight Conferences.** London, Croner. Loose leaf service including amendments for 1 year.

Price: £4 15s.

Order from: Croner Publications Ltd., 143 London Road, Kingston-upon-Thames, Surrey, England.

Murr, A. **Export/Import Traffic Management and Forwarding.** Cambridge, Md., Cornell Maritime Press, 1957. 460 p.

Price: \$7.75.

Order from: General Publishing Co. Ltd., 30 Lesmill Road, Don Mills, Ontario.

Payne, W. **Carriage of Goods by Sea.** 7th Ed. London, Butterworth, 1963. 215 p.

Price: \$9.75.

Order from: Butterworth & Co. (Canada) Ltd., 1367 Danforth Ave., Toronto 6, Ontario.

Ridley, J. **The Law of the Carriage of Goods by Land, Sea and Air.** 2d Ed. London, Shaw & Sons, 1965. 266 p.

Price: 30s.

Order from: Shaw and Sons, 7 Fetter Lane, London, E.C.4, England.

Freight Forwarders Speed Exports

Canada. Department of Trade and Commerce. Transportation and Trade Services Branch. **Directory of Canadian International Freight Forwarders.** Ottawa, 1965. 19 p. Mimeographed.

Price: Free.

Order from: Department of Trade and Commerce, Ottawa, Ontario.

Custom House Guide. New York, Budd. Annual. Contains list of forwarders in each U.S. port and forwarding agents in foreign countries.

Price: \$35.00.

Order from: Budd Publications Inc., 26 Beaver St., New York, N.Y. 10004.

Exporters' Encyclopaedia. New York, Dun and Bradstreet. Annual with supp. bulletins. Contains list of freight forwarders in leading cities.

Price: \$50.00.

Order from: Exporters' Encyclopaedia, 466 Lexington Ave., New York, N.Y. 10017.

McGoldrick's **Handbook of the Canadian Customs Tariff and Excise Duties**. Montreal, McMullin. Annual. Contains a list of freight forwarders.

Price: \$10.00.

Order from: McMullin Publishers Ltd., 417 St. Peter St., Montreal, Quebec.

Murr, A. **Export/Import Traffic Management and Forwarding**. Cambridge, Md., Cornell Maritime Press, 1957. 460 p.

Price: \$7.75.

Order from: General Publishing Co. Ltd., 30 Lesmill Road, Don Mills, Ontario.

National Customs Brokers and Forwarders Association of America. **Foreign Freight Forwarders**. Annual.

Price: Free.

Order from: The Association, 26 Beaver St., New York, N.Y. 10004.

Shipping Digest. New York, Shipping Digest, Inc. Weekly. Contains list of foreign freight forwarders in leading U.S. and Canadian cities.

Price: \$6.00 per year.

Order from: Shipping Digest Inc., 25 Broadway, New York, N.Y. 10004.

Exports Take to the Air

A.B.C. Air Cargo Guide and Directory. Monthly.

Price: \$28.00 per year (\$2.00 per copy).

Order from: Thomas Skinner & Company (Publishers) Ltd., Suite 35, 75 Sparks St., Ottawa 4, Ontario.

Air Trade & Travel. Toronto. Freight Publications Ltd. Monthly.

Price: \$6.00 per year.

Order from: Air Trade & Travel, 103 Church St., Toronto 1, Ontario.

Canada. Department of Trade and Commerce. Office of Trade Relations. **Shipping Documents and Customs Regulations**. Ottawa. Irregular. Mimeographed reports on individual foreign countries are available containing section on air cargo shipments.

Price: Free.

Order from: Office of Trade Relations, Department of Trade and Commerce, Ottawa, Ontario.

Groenewege, A. D. and R. Heitmeyer. **Air Freight: Key to Greater Profit**. Southall, Middlesex, Aerad, 1964. 147 p.

Price: U.S. \$2.50.

Order from: International Air Transport Assoc., 1060 University St. Montreal 3, Quebec.

House, A. W. **The Air Freight Story**. (in *Industrial Canada*, May 1965, p. 33-36+). International Air Transport Association. **IATA Regulations Relating to the Carriage of Restricted Articles by Air**. 10th Ed. Montreal, 1965. 124 p.

Price: \$5.00.

Order from: International Air Transport Assoc., 1060 University St., Montreal 3, Quebec.

McDougall, H. **Ever Wondered What You Can Ship by Air? Air Cargo Services Are Changing Entire Marketing Concepts in Some Industries**. (in *Monetary Times*, June 1964, p. 36-40)

Shipping Digest. New York, Shipping Digest, Inc. Weekly. Section II, entitled Airshipping, published every other week, covers cargo, express, regulations, fares, schedules, tariffs, mail, passenger.

Price: \$6.00 per year.

Order from: Shipping Digest, Inc., 25 Broadway, New York, N.Y. 10004.

BINDING SECT. AUG 18 1967

